THE INTEGRITY FACTORS AFFECTING LOAN

REPAYMENTPERFORMANCE FORSACCOS' BORROWERS IN MBEYA

CITY

HAULE, BAKARI P.

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CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania the dissertation entitled **"*The integrity Factors Affecting Loan Repayment Performance of Savings and Credits Cooperative Societies (SACCOS) in Mbeya City"***in partial fulfillment of the requirements of the degree of Master of Business Administration (MBA) of the Open University of Tanzania.

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Dr. Joseph Magali

(Supervisor)

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Date

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DECLARATION

I **Bakari Petro Haule**, do hereby declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

....

Signature

....

Date

DEDICATION

This study is dedicated to **GOD ALMIGHTY** for his provision and guidance throughout my life. I also dedicate this research work to my Supervisor Dr. Magali, my lovely wife Judith Maurice Haule and my children and my relatives for their loves, kindness, co-operation, guidance, consultation and great support that enabled me to reach this point in the academic field.

ACKNOWLEDGEMENT

ABSTRACT

SACCOS are very important in Tanzania for delivering various services to large number of people who cannot afford to obtain credit services from formal financial institutions such as commercial banks due stringent rules and regulations of formal Financial Institutions. The critical problem which is facing most of SACCOS in Tanzania is loans default. Therefore, this study sought to assess the integrity factors affecting loans repayment performance among SACCOS' borrowers in Mbeya City Council, Tanzania. The study used descriptive research design and a sample size of 178borrowers who were selected using the systematic sampling. The study used the survey strategy where questionnaires were used to collect data. The collected data was coded, summarized and verified using the SPSS computer software program. The study used a descriptive method to assess the factors that affecting loan repayment for SACCO's borrowers in Mbeya City Council. The findings established that integrity, loan appraisal and value of collateral were the major factors that influence loan default. The study recommends that SACCOS should revise the lending procedures, rules and regulations which act as a loophole for disbursing loans to borrowers who are not qualified. Also, the study recommends that SACCOS should employ qualified credit officers who will be able to assess the qualifications of loans applicants and pay them the reasonable salaries and other incentives to credit officers so as to overcome the corruption from SACCO's officers. Training to credit officers and credit committee is also highly emphasized.

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ABBREVIATIONS

FIs	Financial Institutions
GOT	Government of Tanzania
ICCE	Institution of Continuing Co-operative Education
MCC	Mbeya City Council
MFIs	Micro Finance Institutions
NLP	Non Performing Loans
NMP	National Microfinance Police
OUT	The Open University of Tanzania
RAS	Reginal Administrative Secretary
RCC	Reginal Co-operative Commissioner
SACCOS	Savings and Credits Cooperatives Socities
SMEs	Small and Medium Enterprise
SPSS	Statistical Package for Social Science
TAZARA	Tanzania-Zambia Railway Authority
URT	United Republic of Tanzania

CHAPTER ONE

INTRODUCTION

1.1 Overview

This chapter introduces the contextual summary of the factors which affecting loan repayment performance in SACCOS. The number of sections is divided as follows in the chapter: background information, problem statement, study's objectives, questions, significance, scope, organization and limitations.

1.2 Background to the Study Problem

The Mbeya city is located in Mbeya district, which is found in the southwest of Tanzania. It is among the six (06) districts which are found in the Mbeya region. Others districts are Mbarali, Kyela, Rungwe, Busokelo, and Mbeya(Mbeya Regional Profile, 2018).There are almost seventy-six (76) SACCOS found in Mbeya city which perform savings and credits activities(Mbeya Region, 2018).

The Institute of Continuing Co-operative Education (ICCE, 2014) showed the history of SACCOS in Tanzania began from 1938 when the first SACCOS was formed by Ismaila group in Moshi Town and from that time due to importance of Savings and Credits Co-operative Societies, the number of registered and unregistered started to increase from one to another. Maio, Mirporian, Rusian, Caragliu and Landoni (2015) reported that higher loans' repayment rate benefits both borrowers and microfinance institutions because it increases borrowers 'access to loans and profit through the paid interests. Since 1980s, the Government of Tanzania permitted SACCOS' formation so as to promote the availability of financial services to majority of Tanzanians who are not served by formal financial institutions, particularly those living in the rural areas. Due to the importance of SACCOS in Tanzania in

delivering various of services to the large number of people such as micro-loans, micro savings, creation of employments, empowering women, reducing poverty, and other economic activities; a number of registered SACCOS were increasing from year to year. According to Magali (2013), registered SACCOS was 5559 but to date the number of registered SACCOS in Tanzania are about 10,628 SACCOS, in Mbeya region are about 399 and Mbeya city are about 76 registered SACCOS.As at 31 December, 2018 loans issued to its members for Tanzania, Mbeya region and Mbeya city were Tshs 1,299,661,801,996, Tshs 62,997,880,638 and Tshs 26,880,937,412 respectively (URT, 2018).

According to Garomsa (2017),the factors affecting borrowers' loan repayment were age, income from other sources, timeliness of credit, suitability of repayment time, trend of repayment and training appropriateness. Nawai and Sharrif (2012) found that borrowers' gender, religious' education, distance, business forms, monthly sales, amount of loan, and monitoring of loans influenced the loan repayment performance. Gerba (2017) found that education level, family size of borrowers, experience, having other business, proper follow up, duration of service time/time horizon, amount and use of credit affected the loan repayment performance. Pasha and Nigese (2014) found that improper training, loan amount; uses of loan, age, and borrowers' experiences determined the repayment of loans. Murthy and Mariadas (2017) found that business' nature of loan borrowers, age, loan use and schedule of repayment affected the loan repayment. Ssebuwufu (2014) showed that borrower behavior, customer commitment, credit repayment performance and credit administration are associated with loans repayment performance. Based on empirical literature review, we find that there is a gap on how integrity factors particularly, loan appraisal, value of borrower's collateral and integrity of both credit officers and credit committee affect the loan repayment performance. This reason motivated the researcher to conduct this study.

1.3   Statement of the Problem

Preliminary survey as shows that out of loan rendered to members of savings and credits cooperative societies Tanzania as at 31.12.2018 was about Tshs1,299,661,201,996/= were issued and out of which loans amounting to Tshs 490,333,698,727/= more than 38 percent (> 37%) of total loans were not paid back when due date. In case of Mbeya region loan issued to its members were about to Tshs 62,997,880,638/= but out of this Tshs 38,748,837,007/= more than 61 percent (>61%) of total loans issued to its members was not paid when follow due date for repayment. It has been revealed that in a case of Mbeya region about 39% of amount loaned to its members were not paid back when due date and it is a seriously problem to most of SACCOS in Mbeya region.

Keeping track on terms and conditions of credit contract and conducting time to time on, valuing borrowers' collateral and monitoring repayments will properly help to eliminate/reduce the problems of loan. Credit risk is the probability that a loan will not be repaid according to the terms of credit contract. Magali (2013) asserted that it is better to know the factors that affect the credit risks in order to manage well credit in SACCOS. URT (2000) asserted that the Tanzania Government through national Microfinance policy of 2000 have sat the best practices for delivering control so as to get loans repaid, which includes maintenance and active use of accurate, up to date information on portfolio status (at various levels of organization). But still the loans default is an issue, because some loans given by SACCOS to its members (borrowers) are not paid back and result in bad debts and consequences the performance of SACCOS and threatens the sustainability of the SACCOS. Moreover, due to too much bad debts in the balance sheet, it affects the operation of SACCOS in terms of liquidity, profitability, debt-servicing capacity, lending capacity and ability to raise additional capital (Mungure, 2015).

Von-Pischke (1980) declared that some of the impacts associated with credit defaults are:

ability to recycle funds to other borrowers, unwillingness of other financial intermediaries to serve the needs of small borrowers and the creation of distrust. Since, there is an increase in the loans defaults rates, which normally affecting the sustainability, growth and development of some SACCOS in Tanzania, that is why the researcher have decided to conduct research on the factors that affecting loans repayment.

1.4 Research Objectives

1.4.1 General Objective of the Study

To assess the factors affecting loans repayment performance of SACCOS.

1.4.2 Specific Objectives of the Study

   i.   To assess whether loans appraisal influence loans repayment

   ii. To assess whether integrity of credit officers/ credit committee affect loans repayment

   iii. To assess whether the value of collateral affect loans repayment

1.5 Research Questions

1.5.1 General Research Question of the Study

What are the factors that affecting loan repayment performance of SACCOS in MCC?

1.5.2 Specific Research Questions of the Study

   i.   How does the integrity of both credit committee/officers and borrowers affect loan repayment?

   ii. Is the improper loans appraisal affect loan repayment?

   iii. How does the value of collateral affect loan repayment?

1.6 Significance of the Study

The study determined the reason why SACCO's defaulters increase from day to day. This threatens the performance and the sustainability of the SACCOS in Tanzania. In credit institutions, the study will help SACCO's members to understand and be aware on the benefits and importance the integrity and its contributions on loan repayments. The study also adds to body of knowledge on the factors which influence the SACCOS members/shareholders to know that loan appraisal has great impact on loan repayments and work on the borrowing procedures so as to eliminate/reduces loan defaulters. Also, the study helps the SACCOS Board of directors to employ qualified staff and pay reasonable salary for some position such as credit/loan officers and auditors who will help to access well loans application as they qualify for applied loans or not. This reduces the loans default among SACCOS in MCC and Tanzania in large. Finally, this study supports the Government of Tanzania to revise the SACCOS' regulations, rules and principles which pose loopholes of members to obtain loan without collateral and hence lead to default. This would be a better time for the Government to instruct the Ministry of finance to monitor these SACCOS and formulate financial Act. Which will regulate all SACCOS and hence it will reduce the problem of loan default.

1.7 Scope of the Study

This study was conducted in MC where there are most giant SACCOS. The researcher has decided to choose the area of Mbeya City Council because there is a high problem of loan repayment compared to other districts of Mbeya region.

1.8 Organization of the Study

This study is organized into five chapters as follows: Chapter one covers the study's

background, problem statement, objectives, scope and organization of the study. Chapter two describes the theoretical and empirical literature review, the research gap and the conceptual framework. Chapter three explains the methodology used for the study. It covers the research design, philosophy, sampling procedures, data collection and analysis procedures, validity and reliability, measurement of variables and its procedures and ethical issues adherence. Chapter four comprises of data presentation and interpretation while chapter five covers the conclusion, recommendations, study's contribution and future research consideration.

1.9   Limitations of the Study

This study was limited by financial resources. The research covered a small size of population from a given large number of members of SACCOS in the Mbeya City Council. Hence, due to financial constraints it was difficulties to include large sample in the study.

CHAPTER TWO

LITERATURE REVIEW

2.1   Overview

This chapter is classified into number of sections which containing definitions of terminology and concepts, theoretical literature review, empirical literature review and conceptual

framework of study.

2.2   Conceptual Definitions

Within this part, we will present the different definitions used in this study and we will also explain how the independent variables and dependent variables are related with theories and empirical studies.

2.2.1   Co-operative Societies

Cooperative Society Act No 6, Cap 212 of 2014 defines a Cooperative Society as a society registered under this Act and includes primary society and secondary society. *Primary society* is a cooperative society whose members are restricted to individual persons and consists of at least ten persons all of whom shall be qualified for a membership of a cooperative society while *secondary society* means a registered society whose membership is open only to primary society. Society means is an organization which contains the groups or number of individuals who have the aim of performing activities in cooperation. The groups however, seek to generate benefits for members through the provision of various services. Were (2009) asserted that cooperatives have the following principles: free and voluntary association, self-help, solving one's own problems and self-management to enable members to run their cooperatives? Members also pull resources together in the form of savings and the SACCOS use the mobilized savings to extend small credit facilities to them.

2.2.2 Savings and Credit Cooperative Society (SACCOS)

Savings and Credit Cooperative Societies (SACCOS) mean registered societies whose principal objectives are to encourage thrift among its members and to create a source

of credit to its members (Cooperative Societies Act No. 6 Cap 212 (2014). According to this Act, Cap 202, (3) (2014), the objectives of cooperative societies shall be based on promotion of the economic and social interest of its members by means of common understanding, based upon mutual aid and which conforms to cooperative principles of society which is established for the purpose of facilitating operators of societies.

Its primary activities are to mobilize savings and furnish secured loans and unsecured loans or credit to its members. *Secured loan* in this study is a loan where the borrower has committed to the lender collateral funds and property that is equivalent to one hundred percent or more of the loan that is sufficient, safe and realizable in order to secure a loan and if the borrower will fail to service his/her loan when it due date as per condition and terms of contract, he/she will lose the collateral. *Unsecured loan* is the loan granted to borrower which is based on a borrower' characteristics and past credit history and there is no collateral pledged to the lender this loan is considered as unsecured loan. *Loan* is the arrangement whereby a lender (one with surplus money) gives money to a borrower (one with deficit of money) and the two party agree to pay back the money with its charges (i.e. principal and interest) and if the money will not paid as per loan contract, it will be a default loan.

2.2.3 Collateral

George (2015) in lending agreement asserted that collateral refers to a borrowers' pledge of specific property to a lender to secure repayment of loan. Lending institution always ensure that, the amount granted is a percentage of the value of the collateral provided by the borrower to ensure that the loan is paid. According to Co-operative Societies Regulations (2016), Pg 5, Collateral is security pledged as a guarantee for the payment of a loan if the member fails to pay back his/her loan (i.e. principal and interest charged). This is an asset

pledged by borrower to a lender, which secure a loan until such loan is paid back and if the borrower stops making the promised loan repayment, the lender has a right seize the pledged asset and sell it to pay the loan.

2.2.4   Loan Repayment

Loan repayment is the process or situation in which borrower pay back loan (principal and interest) issued to him/her by the financial institution in this case SACCOS. Repayment performance is the ability of the borrower to pay back his or her loan when the loan installment falls due effectively. According to Imbuga (2014),loan repayment is the process or situation in which borrower pay back loan (principal and interest) issued to him/her by the financial institution. Borrowers are typically required to repay their loans in regular installments soon after loan disbursements (Makorere, 2014).

2.2.5   Loan Appraisal

This is the process of proper evaluation/assessment of the borrowers' financial capacity or ability of servicing the loan (Yeboah and Oduro, 2018). It involves gathering borrowers' information, processing the gathered information and use the information in to make decision on whether to issue loans to the loan applicant or not (Magali, 2013). Therefore, loan appraisal involves gathering borrowers' information, processing gathered information and canalizing the information in order to determine the creditworthiness of the client for the purpose of eliminating or reducing loan repayment default. Loan appraisal may also show or indicate the ability of the borrower to honor commitments as illustrated in the credit contract. Loan size and the duration of loan repayment should consider the capacity and ability of the client during the loan appraisal process for the loan repayment performance.

2.3   Critical Review of Supporting Theories or Model:

2.4   Adverse Selection Theory

The adverse selection theory of credit markets is emanated from the adverse selection which states that: when borrowers have characteristics that are unobservable to the lender but affect the probability of being able to repay back the loan when due date (Stiglitz & Weiss, 1981). Adverse selection is a core part of our understanding of market failure, and that understanding has changed significantly since Akerlof's seminal paper (Julius, 2014). The impact of adverse selection on a market represents a large loss of efficiency, and thus there are two questions economists should seek to answer - the question of empirical existence, and the question of rectification. Adverse selection before the economics profession can produce reliable policy advice for dealing with adverse selection. The lenders through credit officers and credit committee cannot assess the worthiness of the borrowers so as they can know the probability of being able to repay credit when it falls due for payments. Adverse selection then describe the situation in which the integrity of both borrowers and credit officers/credit committee does not considered during assessment of loans applications and loan is offered to wrong applicants due to un observable behavior of both credit officers/credit committee and borrowers and this lead to credit default since the loan will be given to wrong applicants.

Collateralization is believed to be useful tool in resolving problems associated with adverse selection theory in business and consumer lending (Dinha, Hainzb, & Kleimeiera, 2010). Collateral can solve the problem of asymmetric information between SACCOS and borrowers arising when borrowers own private information that is not available to credit officers /credit committee. Collateral can be used as signaling instruments and proving SACCOS with valuable information about the borrowers' quality that would not be available

in the other way out because borrowers with high – quality who have private information about their good creditworthiness by knowing that when they default on loans they will loss of their collateral. Therefore, collateral helps to reduce adverse selection by signaling. Lenders cannot distinguish between borrowers of different degree of risk and that loan contracts are subject to limited liability (Absanto & Aikaruwa, 2013). Value of collateral for all borrowers with high degree of risk should be well assessed so as the borrowers will repay back loans by fairing that when they will not refuse to pay back loans when due because borrowers fear to lose their collateral pledged for the loans. To mitigate adverse selection problem, credit officers / committee take their loans applicants and well screen before granting a loan so as to reduce the loans defaults. Adverse selection of borrowers by the financial institutions in case of credit selection causes high NPL (Islam & Nishiyama, 2017). Therefore, assessments of creditworthiness of the borrowers positively affect loans repayments among most of SACCOS. Adverse selection of borrowers by the lending firm is one of the prime causes of higher credit risk (Stiglitz & Weiss, 1981). Always borrowers differ by a risk parameter, and this risk is privately should be well assessed before lending the money to borrowers. Therefore, adverse selection of borrowers by the financial institution is one of the main reasons of higher NPL.

2.4.1 Empirical Literature Review

Maio, Mirporian, Rusina, Caragliu and Landoni (2015) by using descriptive analysis and regression poison model point out that the Loan size, business sector, gender, age, experience of borrowers, education, income, payback period, type of loan motivation, distance between borrowers' business and the lending office are the significant factors that affecting loan repayments performance however this study did not cover on loan appraisal, value of collateral and integrity of credit officer as the factors which affect loan repayment. Reta (2011) by using descriptive analysis and binary logic model found that business type, age,

sex and experience of borrower's were the significant factors which influenced repayments of loans but loan appraisal, value of collateral and integrity of credit officers were not covered by the researcher.

According to Yeboah and Oduro (2018) education, loan diversification, loan overseeing, marital type, and level of income level influenced loan's repayment but loan appraisal, value of collateral and integrity of credit officers were not covered.Gutu, Mulegeta and Birlie (2017) by using descriptive statistics and regression point out that age, education, using loans purposely, residences, and group members are influenced loan repayment. However, value of collateral, integrity of credit officers and loan appraisal not covered by the researcher. According to Haile (2015) found that of borrowers' saving habit, size of loan, borrowers' perception, repayment phases, income sources, training's availability, experience, type of business, and loan purpose were the significant factors that affected loan repayment. However, loan appraisal, integrity of credit officers and value of collateral were not covered by this study.

Jote (2018) pointed out that education level, method of lending, nearness of borrowers' residence to institutions, family size and return from the activities financed by loan and lack of training to borrowers were the significant determinants of loan repayments. However, this study didn't cover value of collateral, integrity of credit officers and loan appraisal as factors which affected loan repayment. According to Salifua, Tofik-Abub, Rahmane and Sualihud (2018) revealed the following determinants of loan repayment for SMEs by using the descriptive and regression analysis were: Loans' application cost, size of loan, rate of interest and borrowers' education. Mukono (2015) by using descriptive analysis found that loans, borrowers, firm and leaders determined the loan repayment for SMEs. Makorere (2014) by using descriptive analysis logic regression analysis found that rate of interest, waiting period,

amount of profit and stable economic condition have solid effects in stimulating repayment of loans' behavior in most of MFIs in Tanzania. Katula and Kiriinya (2018) by using descriptive analysis found that appraisal of loans, rate of interest, loan monitoring procedures, characteristics of customers were significantly affecting loan repayment and financial performance of deposit taking savings and credit cooperative societies (SACCOS). Maigua (2017) found that characteristics of leader's borrowers, loan and business influenced the loans' repayment performance but loan appraisal, value of collateral and integrity of credit officer were not covered by this study. Ndiege, Mataba Msonganzilla and Nzilamo (2016) by using descriptive analysis and regression models found that practices of good governance influence the SACCOS' long lasting financial based performance.

However, loan appraisal, value of collateral and integrity of credit officer were not covered by the researcher. Mwaka (2017)by using descriptive analysis found that level of education, income, age, gender, family size and marital roles influenced the loans repayment. However, loan appraisal, integrity of credit officers and value of collateral were not covered by this study. Absanto and Aikaruwa (2013) using descriptive analysis found that Credit committee failed to appraise well the SACCOS' borrowers. Also, the study found that lack of training to SACCO's members, lack of human resource and insufficient finance education influenced the loan repayment performance. However, the researcher did not cover other factors such as value of collateral and integrity of credit officers. Magali (2013) by using descriptive and multivariate regressions analysis found that activity of loan, marital situation, age, size of family, rate of interest, duration of loan and experience affected the loan repayment. However, loan appraisal, integrity of credit officers and value of collateral variables were not covered by this study.

2.5.   The Empirical Literature Review Summary

The summary of empirical literature review is presented in Table 2.1

Table 2.1 : Empirical Research and Indication of the Research Gaps

S/N	Author, Year and Country	Objective of Studies	Method of data Analysis and Theory Used	Variables Affecting Loan Repayments	Variables which are not Covered by Previous Studies
1	Maio, Rusina, Caragliu and Mirpourian (2015) **India**	Determinants of loan Repayment Performance among borrowers of Microfinance Institutions	Descriptive analysis through poison regression model Information asymmetry	Loan size, business sector, gender, age, experience of borrowers, education, income, payback period, type of loan motivation, distance between borrowers' business and the lending office.	Loan appraisal, Value of Collateral and Integrity of staff were not included in this study.
2	Jema, Gebeyehu, and Hussein (2013) **Ethipia**	Determinants of loan Repayment Performance of smallholder's farmers	Descriptive analysis Moral hazard theory, adverse selection theory and information asymmetry theory	Education, age, land size, livestock ownership, expenditure on social festival and experience were found are the significant factors on loan repayment performance	Value of Collateral, loan appraisal and Integrity of both credit officers/credit committee and borrowers were not included in this study
3	Reta (2011) **Ethiopia**	Determinants of loan Repayment Performance	Descriptive analysis through binary logic model, moral hazard and adverse selection theory was used in the study	Age and business type, Sex and business experience of borrower's are the significant factors of loan repayments	Researchers were not included in the study, loan appraisal, value of collateral and integrity of officer creditors

S/N	Author, Year and Country	Objective of Studies	Method of data Analysis and Theory Used	Variables Affecting Loan Repayments	Variables which are not Covered by Previous Studies
4	Yeboah and Oduro (2018) **Ghana**	Determinants of loan defaults in credit unions	Descriptive analysis using logistic regression model adverse selection theory, moral hazard and transaction cost theory	Education, Loan diversification, Loan monitoring, Marital status, and Income level are some of significant factors	The following variables was not part of the study, such as loan appraisal, Integrity of credit officer/loan committee and Value of Collateral
5	Jote (2018) **Ethiopia**	Determinants of Loan Repayments in MFIs.	Descriptive analysis using binary logistic model Credit risk management theory	Education level, method of lending, nearness of borrowers' residence to institutions, family size and return from the activities financed by loan and Lack of training to borrowers are the significant determinants of loan repayments	Loan appraisal, Integrity and the value of collateral were not considered in this study
6	Mwaka (2017) **Kenya**	Factors influencing repayment among microfinance loans consumers	Descriptive analysis Signaling theory, adverse selection theory and pricing theory	Level of education, income, age, gander, family size and marital status have significant impact on loan repayments	Loan appraisal, Value of Collateral and Integrity of credit officers/loan committee were not part of this study
7	Makorere (2014) **Tanzania**	Factors affecting loan repayment	Descriptive analysis and the theory used is	Interest rate, grace period, profitability and economic stability have strong effects	Loan appraisal, Value of collateral and Integrity

S/N	Author, Year and Country	Objective of Studies	Method of data Analysis and Theory Used	Variables Affecting Loan Repayments	Variables which are not Covered by Previous Studies
		behavior in financial institution	planned behavior theory.	in stimulating loan repayment behavior.	were not covered in this study
8	Mungure (2015) **Tanzania**	The causes and impacts of loan default to microfinance Institutions (MFIs) activities	Descriptive analysis Grameen solidarity group theory and a theory of Micro-Loan Borrowing Rates and Defaults	Interest rates charged on loans, diverting funds from its and intended use, multiple borrowing and lack of collateral have direct impact on loan repayment	Integrity to both borrowers and credit officers and loan appraisal were not assessed in this study

2.6 Research Gap

Scholars like Robert (2014), Gutu, Mulugeta&Birlie(2017), Makorere (2014), Magali(2013) and Jote (2018) considered variables such as education, multiple loan, interest rate, income level, family size and loan diversification influence loan default. According to Maio, Mirporian, Rusina, Caragliu and Landoni (2015) by using descriptive analysis and poison regression model pointed out that the Loan size, business sector, gender, age, experience of borrowers, education, income, payback period, type of loan motivation, distance between borrowers' business and the lending office are the significant factors that affecting loan repayments performance. Yeboah and Oduro (2018) revealed that education, loan diversification, loan monitoring, marital status, and income level are some of significant factors but loan appraisal, value of collateral and integrity of credit officers not covered. Based on outlined studies, the gap comes according to my best knowledge is that they have not discussed about the how the integrity factors such as value of collateral, loan appraisal and integrity of both credit officers and borrowers affecting the loan repayment.

2.7 Conceptual Framework

The conceptual framework of this study shows the relationship between dependent variable i.e. factors affecting the loan repayment in SACCOS. In this case, the loan repayment is a dependent variable. Therefore, the conceptual framework depicts how loan appraisal, value of collateral and credit officers and borrower's integrity influence repayment of loans in SACCOS. The conceptual framework is depicted in figure 2.1.

Independent Variables   **Dependant variables**

- Loan appraisal

- Value of Collateral

- Integrity

Loan Repayment Performance
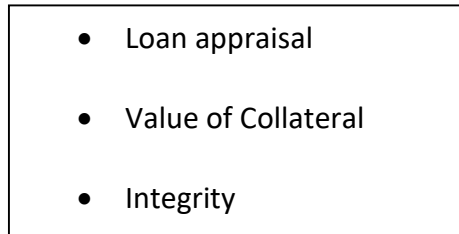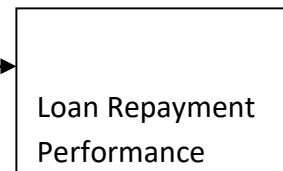
Figure 2.1: Conceptual Framework

Source**:** Researcher, (2019)

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Overview

This chapter presents the study's methodology. It includes research design, philosophy, sampling procedures, data collection and analysis procedures, validity and reliability, measurement of variables and its procedures and ethical issues adherence

3.2 Research Area

This study was conducted in MCC where there are most giant SACCOS. The researcher has decided to choose the area of MCC because there is a high problem of loan repayment compared to other districts of Mbeya region.

3.3 Research Design

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Kothari, 2004). It is in fact in which the conceptual structure within research is conducted and it is constitutes blueprint for collection, measurement and the analysis of data. Descriptive research design can be defined as design used to articulate data and characteristics of variables of interest or population concisely and in a systematic way (Atmowardoyo, 2018). Design also can be used to establish relationship or association between variables. As there are several types of descriptive research design which includes; descriptive survey, descriptive longitudinal study, descriptive correlation study, and the case studies (Atmowardoyo, 2018). For this study the descriptive statistics was employed so as to describe how loan repayment performance was affected by loan appraisal, value of collateral and integrity of both credit officers and borrowers.

3.4   Research Population

According to Kothari (2004), population refers to the total of items about which information is desired. The population can be finite or infinite. The population is said to be finite if it consists of a fixed number of elements so that it is possible to enumerate it in its totality. An infinite population is that population in which it is theoretically impossible to observe all the elements. According to Malhotra (2008), the target population involves translating the problem definition into a precise statement of who should and should not be included in the sample. Population means all members that meet a set of a specifications or a specified criterion, for example, the population of the United Republic of Tanzania (URT) means all people living within the URT. Therefore, the population is the target group to be studied in a particular place where the researcher wishes to get the required information. The interested population in this study was 324 defaulters which were used as primary source of information.

3.5   Sampling Design, size and Procedures

Kothari (2014) defined the sampling design as the procedures used to select a sample from a population. The study used the stratified sampling techniques where SACCOS where two groups of SACCOS; those with high overdue loans and vice versa were established. The respondents were selected from SACCOS with high and longtime loans where the seven SACCOS were selected. Moreover, by using the sampling formula, 178 borrowers were selected for survey

Table 3.1 : SACCOS under Study

SN	Name of SACCOS	Type of members	Number of members	Number of defaulters
1	MTC	Employee at Mbeya University of Science and Technology)	250	48
2	LULU	Business People In MC	350	40
3	CHAKUWAMA	Primary Teachers Mbeya Council	750	98
4	MWANJELWA	Any Tanzanian Citizen 18+ years	528	48
5	UWAMU	Any Tanzanian at Uyole	1140	48
6	TAZARA MBEYA	TAZARA Employees and Others People	1307	30
7	AMKENI	Business People at Ilomba	250	12
		Total	4575	324

Source: Field Data (2019)

A sample size of 178 borrowers was selected from 7 SACCOS by using the formula given by Yamane (1967) at 95% confidence level:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n= Sample size to be studied

N= Population size

Thus, by substituting; N = 324, e = 5% we get:

$n = \frac{324}{1+324(0.05)^2} = 178$

3.6   Methods of Data Collection

Primary data collected were used in this study. Though the primary method dominated. This study used the questionnaires for data collection:Questionnaires are suitable method of collecting data from large group of individuals (Kothari, 2014). Questionnaires may be structured, semi-structured and unstructured. This study used the structured questions which helped to maximize the reliability of data from respondents.

3.7   Data Analysis

According to Kothari (2014),data analysis means breaking down and synthesizing the data into manageable pieces. The collected data from the respondents were confirmed, coded and briefed before entering them into SPSS programme. This tool analyzes the joint variation of two or more variables so as to determine relationship between them (Kothari, 2004). SPSS has an advantage of analyzing vast data within short time. This study concentrated with descriptive analysis where frequencies and percentages were usedto establish how a variable in the specific objectives affects the level of loan repayments among the SACCOS' borrowers.

3.8 Ethical Issues Consideration

The researcher observed carefully values of ethics as guidelines and principles which was includes, plagiarism in using others words or ideas, privacy to the selected respondents, confidentiality of the work towards findings for the intended purposes (Kothari, 2014). The researcher avoided the plagiarism through ensuring that originates of the work is observed. Also, the distribution of questionnaires and privacy of respondents were considered so as not to offence any of the respondent. The data wasalso collected after the approval from the supervisor and issuance of the clearance letter from the University.

3.9 Variables and Measurements

3.9.1 Independent Variables

Based on Michael (2017)' suggestions, the independent variables of loan appraisal, integrity and value of collateral were measured using the ordinal scale while the background variables of gender, marital status, age, education level and experience was treated as nominal measurement and Likert scale followed the 5 responses from 5 strongly agree and 1 strongly agree. The 5 interval Likert scale also was used to measure the dependent variable which is loan repayment performance.

3.10 Reliability of the Instruments

According to Carmine and Zeller (1979), reliability measures if the results are consistent and accurate when the research is repeated. Kothari (2014) asserted that when test retest method is applied and level of correlation are indicated, the reliability of data may be measured through the Crobanch alpha statistics and value from 0.7 and above indicate that the level of reliability is reasonable and the research instrument is recommended. The reliability data from data 3.1 indicate that the research instrument has no problem with reliability.

Table 3.2 : Cronbach's Alpha for Reliability Scale Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No of Items
.710	.755	13

Source: Field Data (2019)

3.10.1 Validity

Validity measures exactly what was intended to be measured (Kothari, 2004). Several

strategies ware taken to ensure that the validity of the research instrument was maintained. These include: Using the approved tools by the supervisor. Also, the experts of SACCOS were consulted to check the validity of the data collection tool before the data collection. Moreover, the instrument was pre-tested to 20 SACCOS' clients before the data collection so as to prove the validity of questions and the invalid questions were removed from the questionnaire after pre-testing of the questionnaire.

CHAPTER FOUR

4.0   RESULTS AND DISCUSSION

4.1   Overview

This chapter presents the data obtained from data analysis using SPSS programme. Then, the results are interpreted so as to ascertain what they mean as far as how independent variables influence the dependent variable is concerned.

4.2   Response Rate

The research used the sample size of one hundred seventy eight (178) which were obtained from SACCOS loan defaulters and non-defaulters and credit officers/credit committee through sample size determination using the formula from the total population of 324. The selected sample has consideredthe five dimensions namely; gender/sex,marital status,age, level of education, participation in SACCOS experience at the study area. The response rate was 66.3%, which implies that only 118 out of 178questionnaires which were distributed to respondents were returned. The reasonable response rate was due to very close physically follow-up with mobile phone which makes sure that all questionnaires are filled and returned on time. The collected data were analyzed using descriptive statistics and SPSS version 21 programs.

4.3   Background and Socio- economic Variables of Respondents

The background information of the credit officers/ credit committee, loan defaulters and non-defaulters in SACCOS Mbeya City are presented on the following sub-sections.

4.3.1   Gender

The researcher was interested to know the information in relation to factors affecting loan repayment performance among SACCOS' borrowers from both females and males'

borrowers. The researcher intended to determine the rate of females and men involved in participation in SACCOS in the area of study. Therefore, through questionnaire the respondents were asked their genders. The data collected revealed that males were 57 out of 118 who filled and returned the questionnaires equivalent to 48.3% while females were 61 out of 118 who filled and returned the questionnaires equivalent to 51.7%.This indicates that 51.7% of the data collected for all the variables settled in this study comes from femalesand males made contribution of 48.3%.This shows that femalesin Mbeya city were involved much in SACCOS activities than males. It implies that females as enterprenears were not dependending on their husbands while involment of males in SACCOS'activities in Mbeya city were not high as females indicating that some males in Mbeya city were depedingon their wives. The study is similar with the study by Salifua, et al.(2018) on the study topic,determinants of loan repayment performanceof SMEs in Ghana and the findings depicted that more than 61% of the SMEs in Ghana where owned by females. The results from this studyare shown in Table 4.1.

Table 4.1 : Gender of SACCOS members

Gender	Frequency (f)	Percent (%)
Male	57	48.3
Female	61	51.7
Total	118	100.0

Source: Field data, (2019)

Also, the results can be interpreted as women were likely to be involved in businesses than males in Mbeya city council.

4.3.2. Marital Status

Marital status is one of the important demographic variables in this study. In Tanzania, social status has a great impact to most of family through participation in economic activities such as in SACCOS, so as to improve the life standard at family level, also at a whole community. This study assessed whether marital status has an influence loan repayment. The findings as in the Table 4.2 below shows that, out of 118 respondents 74 were married or lived with their husbands which is equivalent to 62.8% and this implies that most of SACCOS' borrowers were married/lived with their husbands. The findings of study imply that, living as a couple encourages them individually or one part encourage the partner to take loan from SACCOS for the mutual benefit of the family.

As the findings from Table 4.2, shows; most of the respondents 74 (62.8%) were married, 26 (22%) were single, 11(9.3%) were divorced and widow were 7 (5.9%). The same study was done by Gutu, Mulugeta, & Birlie (2017) on determinants of factors affecting loan repayment performance and the results showed that 142(78%) respondents were married or live with their husbands, 29(15.9%) were divorced and only 11(6%) of them were widowed. Also, the study which was done by Haile (2015) showed that 67.5% of respondents were married while only 5.8% were unmarried. The rest were widowed and divorced 8.3% and 18.3% respectively.

Table 4.2: Marital Status

Marital status	Frequency (f)	Percent (%)
Single	26	22.0
Married	74	62.8
Divorced	11	9.3
Widow	7	5.9
Total	118	100.0

Source: Field data, (2019)

4.3.3 Age distribution of Respondents

Individuals' age is among key determinants of loan repayment performance in Savings and Credit Cooperative Societies. The age variable is very important factor in determinants of Non-Performing Loans (NLP) in SACCOS. In this study the researcher requested the respondents to respond on the state of their ages so as to examine the age relationship in the relation with factors affecting loan repayment performance among SACCOS. In this study area, range of respondents' age varied from 18 years to 60 years and above 60 years old. From the study as shown in the Table 4.3, the results revealed that large group of respondents were in range of 36-45 years which were 47 respondents equivalent to 39.8% while the group with the smallest range was the respondents with above 60 years which shows that were 5 (4.2%) respondents. This result indicates that the largest number of borrowers and loan defaulters were found in the group of the range of 36 to 45 years old. Therefore, these results indicate that age range of 36-45 years old is the age of responsibilities at the level of family and hence were delaying to repay loans when due.The same study done by Yeboah and Oduro (2018), indicated that 76 respondent out of 244 were average age between 35-45, also study done by Gutu, Mulugeta and Birlie (2017),revealed that more than 48% of the respondents were at the age between 26-50. Therefore, these results indicates that age variable has a positive relation with loan default and it was revealed that the clients with an average age of between 25 – 50 years were mostly involved with economic activities.

Table 4.3: Age Ranges

Age Ranges	Frequency (f)	Percent (%)
18-35	37	31.4
36-45	47	39.8
46-60	29	24.6
Above 60	5	4.2
Total	118	100.0

Source: Field Data (2019)

4.3.4   Education Level of Respondents

Level of Education which is obtained either formally or informally is very important among the borrowers of SACCOS and how they apply their levels of education may influence the loans' repayment performance. Under this study the researcher examined the education level of SACCOS' borrowers in the relation to loans' repayment performance. The study revealed that the majority of SACCOS' members had secondary level of education and others significantly possessed the basic primary education which is not possible to be employed in white colour job.

The Table 4.4shows that; 58 (49.2%) had secondary education, 08(6.8%) had no formal education, 28(23.7%) had university education level and 24(20.3%) possessed the primary level of education. Education might help borrowers to have the knowledge of diversification their loans into various possible investments and hence will be able to service their loans when due and hence may eliminate/reduce loan defaulters. Also, the study done by Dire (2018) shows that out of 341, 180(52.8%) possessed the level of secondary, 9(12.9%) primary level, 88 (25.8%) Diploma level of education, 29 (8.5%) were found to possess degree level.

Table 4.4: Education Level of Respondents

Education level	Frequency (f)	Percent %)
Primary	24	20.3
Secondary	58	49.2
None	8	6.8
University	28	23.7
Total	118	100.0

Source: (Field data, 2019)

4.3.5 Experience of SACCOS Borrowers in Years

Experience of the individual is among the important determinants of loan repayment performance in Savings and Credit Cooperative Societies. The experience of SACCOS' borrowers is a variable which can help to determine the factors that are the determinants of NLP among SACCOS. In this study the researcher requested the respondents to respond their experience of being involved with SACCOS in years so as to examine the relationship of experience in relation to the factors which affect loan repayment performance among SACCOS' borrowers. In this study area, range of respondents' experience in involving with SACCOS varied from less than a year to6 years and above. Table 4.5shows the results from the study, which revealed that large group of respondents were in range of above 6 years in participation with SACCOS' activities. This group of respondents comprised of 38 respondents equivalent to 32.2% while the group with the smallest range of the respondents with less than a year which were 15 (12.7%) respondents and 28 (23.7%) and 37 (31.4%) respondents were having experience ranged from to 1-3 and 4-6 years respectively. The results indicate that the largest number of borrowers and loans defaulters/non-defaulters were having the experience of more than 5 years.

Table 4.5: Experience of SACCOS Borrowers in Years

Experience in years	Frequency (f)	Percent (%)
Less than a year	15	12.7
1 - 3 years	28	23.7
4 - 6 years	37	31.4
above 6 years	38	32.2
Total	118	100.0

Source: Field data, (2019).

4.4   Influence of Integrity on Loan Repayment

The researcher wanted to establish whether integrity of borrowers and credit officers have an impact on loan repayment performance or not.

4.4.1   False Credit Information of Borrowers Lead to Credit Fault

The results from Table 4.6 shows that 106 (approximately 90%) out of 118 respondents agree that most of borrowers gave false credit information to credit officers in order to obtain loans. Majority of borrowers gave false information because they lacked some loans lending criteria. For examples, some borrowers requested loans for business but the same loans were used for other activities. For example, school fees and at the end of day they failed to pay back loans and interests. The same study was done by Chelegat (2012) in Kenya who revealed that the major challenges of loan repayment for SMEs owners were data integrity (i.e. accuracy, completeness and relevance which was presented by 78.1 % of the respondent

Table 4.6:   False Credit Information Effects of Borrowers Lead to Credit Fault

Responses	Frequency (f)	Percent (%)
Strongly disagree	1	8
Disagree	2	1.7
Neutral	9	7.6
Strongly agree	39	33.1
Total	67	56.8
	118	100.0

Source: Field Data (2019)

4.4.2   If Borrowers Give Corruption to Get Loan

The researcher wanted to establish whether integrity of borrowers and credit officers has an impact on loan repayment performance or not. The results from Table 4.7 shows that 85 (approximately 72%) out of 118 respondents agreed that most of borrowers gave corruption to credit officers in order to obtain loans. The results indicate that majority of borrowers agreed that they offered corruption in order to get their loans approved. This shows low level of integrity of both loan processing officer and applicants was in question. However, more studies should be conducted to investigate why the credit officer received the corruption.Ahmad (2013) revealed that corruption influenced positively the of Non-Performing Loans in MFIs.

Table 4.7: Borrower Gave Corruption to Get Loan

Response (s)	Frequency(f)	Percent (%)
Strongly Disagree	4	3.4
Disagree	9	7.6
Neutral	20	16.9
Agree	41	34.7
Strongly agree	44	37.3
Total	118	100.0

Source: Field Data (2019)

4.4.3   SACCOS Officers Receive Corruption to Offer Loan

The researcher was wanted to establish whether integrity of borrowers and officers have an impact on loan repayment performance or not. The results from Table 4.8 shows that 78 (approximately 66%) out of 118 respondents agreed that most of officers received corruption from borrowers in order their loans to be approved. This study shows that officers received corruption to offer loans and majority of borrowers agreed that they offered corruption in order their loans to be approved. The researcher revealed that the integrity of officers was low and it might be caused by low salary and incentives as because most of SACCOS employed personnel with low qualification, fearing to pay them high salary. The study done by Ahmad (2013) revealed that corruption has an impact on accumulation on non-performing loans.

Table 4.8: Officers Receive Corruption to Offer Loan

Response(s)	Frequency	Percent
Strongly disagree	6	5.1
Disagree	10	8.5
Neutral	24	20.3
Agree	27	22.9
Strongly Agree	51	43.2
Total	**118**	**100.0**

Source: Field Data (2019)

4.5 Influence of Loan Appraisal on Loan Repayment

The study was wanted to establish whether loan appraisal/ loan processing have an impact on loan repayment performance or not.

4.5.1 Knowledge of Loan Appraisal Influence on Loan Default

The study asked the respondents whether knowledge of loan appraisal have an impact on loan repayment performance. The data showed that, majority of borrowers at MC, 61 (51.7%) respondents said that loan officers lacked knowledge of loan processing and appraisal, 26 (22.1%) said that loan officers had knowledge of loan processing and appraisal. The Table 4.9 below indicates that about 50% of borrowers agree that loan officers lacked knowledge on loan processing and appraisal. Also, the study conducted by Yeboah and Oduro (2018) found that loan appraisal should may be simplified by using the credit scoring system.

Table 4.9:   Loan Officers lack Knowledge on Loan Appraisal

Response(s)	Frequency(f)	Percent (&
Strongly Disagree	8	6.8
Disagree	18	15.3
Neutral	31	26.3
Agree	37	31.4
Strongly Agree	24	20.3
Total	**118**	**100.0**

Source: Field Data (2019)

4.5.2   Whether the Loan Appraisal is Done According to SACCOS Regulations

The study asked the respondents whether the loan appraisal was done according to SACCOS' regulations. The data showed that, majority of borrowers at MC, 85 (72.03%) respondents agreed that loan appraisal was done according to SACCOS regulations, 11 (9.32%) respondents said that loan appraisal was done without following SACCOS regulations. Table 4.10 indicates that about 85% of borrowers agreed that borrowers and SACCOS' officer followed the regulations but still there was default. This is because most of SACCOS regulations required the borrower to have a certain minimum number of shares and amount of deposit (savings) in which the members borrowed up to three times his /her savings whereby most of borrowers complied with this regulation. Chachalika (2013) revealed that using properly savings as collateral may prevent the loan default.

Table 4: 10: Whether the Loan Appraisal is done According to SACCOS

Regulations

Response(s)	Frequency (f)	Percent (%)
Strongly Disagree	4	3.4
Disagree	7	5.9
Neutral	22	18.6
Agree	63	53.4
Strong**3**ly Agree	22	18.6
Total	**118**	**100.0**

Source: Field Data (2019)

4.5.3 Information and Documents Given for Loan Appraisal Genuine

The researcher wanted to know whether the information and documents given for loan appraisal were genuine. The findings from respondents are presented in Table 4.11. The findings indicate that 47(39.8%) of the borrowers disagreed that information and documents given for loan appraisal were genuine, 10(8.5%) strongly disagreed, 24(20.3%) were neutral, 27(22.9%) agreed and 10(8.5%) strongly agreed that the information and documents given for loan appraisal genuine. The findings indicate that the majority of borrowers disagreed that information and documents provided by borrowers for the purpose of loan appraisal were genuine. The result from the study shows that fake information was presented during the loan appraisal in order borrowers to obtain loans without meeting important qualifications. For example, the researcher observed that one borrower presented a fake motor vehicle registration card and was given loan of Tshs 13,000,000/= which was not paid back. Also, another borrower provided fake plot offer and also was given a loan which was not paid when due. This was happening because most of loan officers either purposely or unknowingly accepted the fake documents and used

them for appraising loans and ultimately the borrowers failed to repay the loans because the loans appraisal was not done appropriately. The study by Magali (2013) revealed that, presentation of fake documents pledged for collateral constrained borrowers to repay their loans in Morogoro region in Tanzania.

Table 4.11: Information and Documents Given for Loan Appraisal Genuine

Response(s)	Frequency	Percent
Strongly Disagree	10	8.5
Disagree	47	39.8
Neutral	24	20.3
Agree	27	22.9
Strongly Agree	10	8.5
Total	**118**	**100.0**

Source: Field Data (2019)

4.6   Influence of Collateral on Loan Default

The study examined how the collateral influence on loan default, under this study the following were examined in order to assess as if collateral has influence to the loan repayment among SACCOS at MC.

4.6.1   SACCOS Give Loans without Considering Applicants' Collateral

The researcher findings revealed that 14(11.9%) of the borrowers strongly disagreed that SACCOS gave loans without considering the applicants' collateral, 13(11.0%) disagreed, 16(13.6%) were neutral, 33(28.0%) agreed and 42(35.6%) strongly agreed that SACCOS gave loans to borrowers without considering collateral. Example of this was observed in one SACCOS at MC where by one borrower were disbursed loan of more than Tshs 8,000,000 without collateral and when we asked loans officers as why the loan of such

amount were given to borrowers without considering collateral, they replied that they followed the SACCOS regulations which instructed a borrower to borrow three times of his/her savings. It implies that the loan/credit officers of some SACCOS at MC did not consider the presentation of genuine collateral documents but they considered only one criterion of savings and this encouraged the loan default.

The results from the Table 4.12 indicate that more than 63% of respondents agree that SACCOS gave loans without considering collateral this might be due to most of SACCOS' credit officers lacked the knowledge of appraising loans using collateral. The study by Magali (2013) revealed that failure to assess the collateral appropriately was the reasons for accumulation of NPL in most of SACCOS in Morogoro region.

Table 4.12: SACCOS Give Loans without Considering Applicants' Collateral

Response(s)	Frequency (f)	Percent (%)
Strongly Disagree	14	11.9
Disagree	13	11.0
Neutral	16	13.6
Agree	33	28.0
Strongly Agree	42	35.6
Total	**118**	**100.0**

Source: Field Data (2019)

4.6.2   Collateral Pledged by Borrower did not reflect the Value of Loan

The study also assessed if the collateral pledged by borrower did not reflect the value of loans given. The findings from the table 4.13 revealed that 7 (5.9%) of the borrowers strongly disagreed that collateral pledged by borrowers did not reflect the value of loans

given, 21(17.8%) disagreed, 20(16.9%) were neutral, 52(44.1%) agreed and 18(15.3%) strongly agreed. This indicates that more than 59% of respondents agreed that collateral pledged by borrowers did not reflect the value of loans given to borrowers. This is happened because the credit officers lacked knowledge on assessment of value of collateral pledged by borrowers. Moreover, sometimes the corruption was given by borrowers and hence influenced the credit officers to provide without considering the value of collateral. The study conducted by George (2015) revealed that proper assessment of the collateral is a prerequisite for enhancing the loan repayment performance.

Table 4.13: Collateral Pledged by Borrower did not reflect the Value of Loan

Response(s)	Frequency (f)	Percent (%)
Strongly Disagree	7	5.9
Disagree	21	17.8
Neutral	20	16.9
Agree	52	44.1
Strongly Agree	18	15.3
Total	**118**	**100.0**

Source: Field Data (2019)

4.6.3 If the Collateral Sold to Recover the Loan

The researcher had an interest to know whether the collateral was sold to recover the loan after default as agreed in the loans' contract. The results were; 55 (46.6%) said that collateral sold to cover the defaulted loans, 44 (37.3%) respondents said that collateral were not sold to recover the defaulted loans and 19 (16.1%) were neutral. Table 4.14 summarizes the findings where the findings indicate that more than 50% of the borrowers disagreed

that the collateral were sold to recover the loans. This might be caused by many factors; To list a few, probably the loan officers did not make follow-up to ensure that the collateral is sold to recover the loan, or there was no collateral at all, because the borrowers presented the fake documents because of the corruption or the borrowers ran away after discerning that he/she will not able to repay the loan. However, more detailed information about this variable is beyond the scope of this study.

Table 4.14: Collateral Sold to Recover the Loan

Response(s)	Frequency (f)	Percent (%)
Strongly Disagree	19	16.1
Disagree	25	21.2
Neutral	19	16.1
Agree	29	24.6
Strongly Agree	26	22.0
Total	**118**	**100.0**

Source: Field Data (2019)

CHAPTER FIVE

5.0   CONCLUSION AND RECOMMENDATIONS

5. 1 Overview

This chapter presents a summary of findings, conclusion and recommendations of the study. In addition, this chapter also presents contributions of the study to the theory and direction of future studies.

5.2 Summary of Findings

The study assessed the factors that affecting loan repayment among saving and credit co-operative societies in Mbeya City. The dependent variable of this study was loan repayment and independent variables include loan processing procedure/appraisal, value of collateral and integrity. The study was carried in Mbeya city, Tanzania where 178 questionnaires were distributed to respondents out of which only 118 of the respondents returned their questionnaires. The findings are summarised based on the specific objectives as indicated hereunder:

5.2.1 The Influence of Loan Appraisal on Loan Repayment

The findings revealed that most of the respondent agreed that loan processing/appraisal has influence on loan repayment. The findings from the study revealed that 61(51.7%) of credit officers were not having the knowledge on loan appraisal. This implies that more than half of the respondents agreed that most of SACCOS credit officers/credit committee lacked the knowledge of loan appraisal.

5.2.2 The Influence of Integrity of Credit Officers/ Credit Committee on Loans Repayment

The researcher further examined if the integrity of credit officers/credit committee has an influence on loan repayment among SACCOS in MC, Tanzania. The results from this study found that 78(66.1%) of respondents agreed that credit officers received corruption from borrowers so as to approve their loans. This result of the study indicates that the integrity of credit officers was low and hence increased the number of loan defaulters.

5.2.3 The Influence of the Value of Collateral on Loan Repayment

Furthermore, the study found that 75(63.6%) of the respondents under the study agreed that the borrowers were issued loans without considering value of collateral. The study

established that lack of considering the value of collateral pledged by the borrowers for a loan given influenced negatively the loan repayment.

5.3   Conclusion

The study revealed that integrity of credit officers and borrowers, loan processing procedures/appraisal, and value of collateral influenced the loan repayment performance among Savings and Credit Co-operatives Societies in Mbeya City.

5.4   Recommendations

Based on findings from the study and the results from the specific objectiveson the influence of integrity, loan appraisal and value of collateral on loan repayment performance among SACCOS in MC, Tanzania; the following are recommended:

5.4.1   Recommendations for Borrowers

The study revealed that most of borrowers gave false information and corruption to credit officers so as to receive loans even though they know that they have no qualifications for applying loans. This study recommends that SACCOS borrowers should be keen with their SACCOS because by giving false information and corruption to credit officers they are killing their own SACCOS by using their hands. In addition, the study also revealed that borrowers presented fake collateral documents or collateral which valued less than disbursed loans. Therefore, the study recommends that borrowers should observe the SACCOS rules, regulation and polices for development of their SACCOS and make sure that they present the collateral which is equivalent with the value of loans.

5.4.2   Recommendations for SACCOS' Officers

The results from this study found that 78(66.1%) of respondents stated that credit officers received corruption from borrowers so as to approve their loans. The result from the study

indicates that the integrity of credit officers was low and hence caused to increase number of defaulters. Also the study revealed that poor loan appraisal influenced loan repayment performance by SACCOS in MCC, Tanzania, Therefore, the study recommends that the credit officers should observe their code of ethics and good governance and avoid receiving corruption from borrowers and well assess loans applied so as to eliminate / reduce defaulters and make sure the follow SACCOS regulations, procedures, rules, terms and conditions used by SACCOS for loan processing and appraisal.

5.4.3 Recommendations to the Board

The study findings revealed that value of collateral influence loan repayment by the SACCOS in MC, Tanzania. Thus, the study recommends that SACCOS Boards should revise their polices, regulations and rules used to offer borrowers loans and should introduce the stringent procedures for collateral assessment and this might reduce the loans default.

5.4.4 Recommendations to the Government

This study recommends that government of Tanzania should develop effective policies and amend SACCOS' rules and regulations which will promote the loan repayment performance. These policies may include the regulated credit risk management and involvement of staff from the Tanzania Prevention and Combating of Corruption Bureau (PCCB) in SACCOS lending activities so as to reduce the corruption problems.

5.5 Contribution of the Study to Theories

As the adverse selection theory is concerned which admits that the unobservable behavior may influence the loan default. The study revealed that the major problem which discouraged the loan repayment performance was not the borrowers' unobservable behavior, but credit officers and loan committee were incompetent in appraising loans and

also received corruption and approved loans without considering the value of collateral and other SACCOS' regulations. It implies that, the adverse selection theory did not consider the factors from the officers who process the loans, instead they concentrated only on borrowers. Therefore, the study concludes that officers who process the loans also have important roles to promote the loans repayment performance.

5.6   Direction of Further Studies

Based on the findings of study, the researcher proposes the various areas/variables for further studies as follows: impact of competition among financial institutions in attracting borrowers without considering collaterals and its effect on loan repayment, impact of SACCOS' rules and regulations on loan repayment/loan default in Tanzania, influence of board members (e.g. chairperson) towards loans default and the impact of the relationship between SACCOS officer with borrowers (e.g. wife/husband) versus loan repayment. Furthermore, studies may be conducted to assess the impact of number of loans given to borrowers on loan default among the members of Savings and Credit Co-operative Societies in Tanzania.

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APPENDECES

APPENDIX I: QUESTIONNAIRES

The questionnaire will be presented for answering by SACCOSS's credit officers, loan defaulters, and non-loan defaulters.

This questionnaire is for academic purpose and the researcher shall keep information given with confidentiality. The purpose of the study is to make assessment of factors that affect loan repayment, please put a tick (√) in the appropriate box provided.

Section A

Demographic Information

1.   Gender:

  i)   Male (   )

  ii) Female (   )

2.   Marital status:

  i)   Single   (   )

  ii) Married (   )

  iii) Divorced/separated (   )

  iv) Widow/widower (   )

3.   Age (Years):

  i)   18-35 (   )

  ii) 36-45 (   )

iii) 46-60 (   )

iv) Above 60 (   )

4.   Education level:

   i)   None (   )

   ii) Primary (   )

   iii) Secondary (   )

   iv) Tertiary (   )

5.   How long have you been associated with the SACCOS?

   i)   Less than a year (   )

   ii) 1-3 Years (   )

   iii) 4-6 years (   )

   iv) More than six years (   )

Section B

B1. The table below seeks to establish whether **integrity** of both credit officers and borrowers have an impact on loan repayment performance or not. The ratings are as follows: (5 –Strongly Agree, 4 –Agree, 3 –Neutral, 2 –Disagree, 1-Strongly Disagree)

 Please put a tick ($\sqrt{}$) in the given statements below so as to indicate the level of your agreement in each of the following statements**.**

SN	Statement	5	4	3	2	1
BI.1	Sometimes borrowers give false credit information and requirement					
BI.2	Borrow give corruption so as to get loans even if they are not qualified					
BI.3	Credit officers can receive corruption and award loan to unqualified borrowers					

BII. The table below seeks to establish whether **Loan appraisal** have an impact on loan repayment performance or not. The ratings are as follows: (5 –Strongly Agree, 4 –Agree, 3 –Neutral, 2 –Disagree, 1-Strongly Disagree)

Please put tick in the given statements below so as to indicate the level of your agreement in each of the following statements

SN	Statement	5	4	3	2	1
BII.1	Credit officers has a knowledge on loan appraisal					
BII.2	Loan appraisal is done according to the SACCOS' regulations					
BII.3	Bribe is given to the appraisal committee to force the loan approval					

B III. The table below seeks to establish whether **value of collateral** have an impact on loan repayment performance or not. The ratings are as follows: (5 –Strongly Agree, 4 –Agree, 3 –Neutral, 2 –Disagree, 1-Strongly Disagree)

Please put tick in the given statements below so as to indicate the level of your agreement in each of the following statements

SN	Statement	5	4	3	2	1
BIII.1	SACCOS sometimes give out loans without considering applicants' collateral					
BIII.2	The collateral pledged by the Borrower as security reflect loans borrowed					
BIII.3	The collateral is sold to recover the defaulted loan					

Section C

Questions to be asked the cooperative officer, the loan committee and those who defaulted loans.

CI. Below question seeks to establish whether **integrity of SACCOS staff** and **borrower s**affect the loan repayment or not.

i. How do you think the integrity of SACCOS's staff and borrowers affect the loan repayment?

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………………………………………………………………………………

………………………………………………………………………………

………………………………………55………………………………………

………………………………………………………………………………

ii.How does the integrity violated?

    a) …………………………………………………………..

    b) …………………………………………………………

    c) …………………………………………………………

C II. Below question seeks to establish whether **loan appraisal procedures** affect the loan repayment or not.

i. How does the loan appraisal procedure affect loan repayment?

…………………………………………………………………………

…………………………………………………………………………

…………………………………………………………………………

…………………………………………………………………………

………………………………………………………………………….

ii. Can you give at least two vivid examples where loan appraisal process is not assessed properly or not considered?

    a) …………………………………………………………

    b) …………………………………………………………..

    c) …………………………………………………………

C III. Below question seeks to establish whether **the value of collateral** influence the loan repayment or not.

i. How the collateral/loan security influence loan repayment?

…………………………………………………………………………

…………………………………………………………………………

…………………………………………………………………………

………………………………………………………………………………………

ii. Can you give at least two vivid examples how the value of collateral affect

loan repayment?

    a) ………………………………………………………………..

    b) ………………………………………………………………………

    c) ………………………………………………………………..

THANK YOU FOR YOUR COOPERATION

APPENDIX II: DODOSO

Muongozo kwa wa shiriki ambao ni maafisa mikopo, wakopaji ambao wanarejesha mikopo na wasio rejesha mikopo. Dodoso hili ni kwa madhumuni ya kitaaluma, na mtafiti atatunza taarifa zote zitakazotolewa. Lengo la dodoso hili ni kutaka kujua sababu zinazo sababisha baadhi ya wakopaji wa vyama vyaushirika wa akiba na mikopo (SACCOS) kutorejesha mikopo kwa wakati au kutorejesha kabisa. Kwenye jibu utakalochagua tafadhari weka alama ya vema (√) mbele ya jibu

Ambalo unafikiri ni sahihi.

SEHEMU A

Taarifa binafsi

1. Jinsia:

    i.   Mke (   )

    ii. Mume (   )

2. Hali yandoa:

    i.   Sijaoa/Sijaolewa (   )

    ii. Nimeoa/nimeolewa (   )

    iii. Nimeachika/Nimeacha (   )

    iv. Tumetengana (   )

    v.   Mjane/Mgane (   )

3. Umri wako:

    i. Miaka 18-35 (   )

    ii. Miaka 36-45 (   )

    iii. Miaka 46- 60 (   )

    iv. Zaidi ya miaka 60 (   )

4. Kiwango cha Elimu:

    i. Darasa la saba (   )

    ii. Kidato cha nne (   )

    iii. Kidato cha sita (   )

    iv. Zaidi ya kidato cha sita (   )

5. Je, una muda gani toka uanze kujishughulisha na SACCOS?

    i. Chini ya mwaka (   )

    ii. Miaka 1-3 (   )

    iii. Miaka 4-6 (   )

    iv. Zaidi ya miaka 6 (   )

SEHEMU B

BI. Jedwali hapo chini linataka kufahamu endapo **uadilifu** wa maafisa mikopo na wakopaji wa vyama vya ushirika wa akiba na mikopo una athirije uwasilishwaji wa mikopo iliyotolewa. Vigezo vya mtazamo ni kama ifuatavyo:

(**5- Nakubali kwa kiasi kikubwa, 4 – Nakubali, 3- Sielewi, 2-Sikubali, 1- Sikubali kwa kiasi kikubwa**)

Tafadhal iweka alama ya vema (√) katika sentensi zilizopo katika jedwali hapo chini ukionyesha jinsi uelewa wako katika kila sentensi zifuatazo:

Na.	Sentensi	5	4	3	2	1
BI.1	Kuna wakati wakopaji hutoa maelezo ya uongo kuhusu mikopo wanayo iomba/kopa					
BI.2	Wakopaji hutoa rushwa ilikupata mikopo hatakama hawana sifa ya kupata mkopo.					
BI.3	Maafisa mikopo hupokea rushwa na kisha hutoa mikopo kwa wakopaji wasio na sifa ya kupata mkopo					

B II. Jedwali hapo chini linataka kufahamu endapo **tathimini** ya sifa na vigezo vya waombaji wamikopo katika vyama vya ushirika wa akiba na mikopo unaathiri urejeshwaji wa mikopo iliyotolewa. Vigezo vya mtazamo ni kama ifuatavyo: (**5- Nakubali kwa kiasi   kikubwa, 4 –Nakubali, 3- Sielewi, 2- Sikubali, 1- Sikubali kwa kiasi kikubwa**)

Tafadhali weka alama y avema (√) katika sentensi zilizopo katika jedwali hapo chini ukionyesha jinsi uelewa wako katika kila sentensi zifuatazo:

Na.	Sentensi	5	4	3	2	1
BII.1	Maafisa mikopo wanauelewa juu ya utathimini wa sifa za mkopaji.					
BII.2	Tathimini juu ya sifa za mkopaji huzingatia taratibu na kanuni za SACCOS					
BII.3	Taarifa zitolewazo kwa maafisa mikopo juu ya tathimini nitaarifa sahihi.					

BIII. Jedwali hapochini lina taka kufahamu endapo **thamani zadhamana** zinazowekwa na wakopaji kwaajili ya mikopo inayotolewa kwenye vyama vya ushirika wa akiba na mikopo unaathiri urejeshwaji wa mikopo iliyotolewa. Vigezo vya mtazamo nikama ifuatavyo: (**5- Nakubali kwa kiasi kikubwa, 4 – Nakubali, 3- Sielewi, 2- Sikubali, 1- Sikubali kwa kiasi kikubwa**)

Tafadhali weka alama ya vema (√) katika sentensi zilizopo katika jedwali hapochini ukionyesha jinsi uelewa wako katika kila sentensi zifuatazo:

Na.	Sentensi	5	4	3	2	1
BIII.1	SACCOS hutoa mkopo bila wakopaji kukabidhi dhamana ya mkopo aliouomba					
BIII.2	Thamani ya dhamana inayowekwa kwaajili ya mkopo huwa na thamani sawa au zaidi ya mkopo ulioombwa					
BIII.3	Dhamana huuzwa ilikufidia mkopo ambao hauwezi rejeshwa					

SEHEMU C

Maswali kwaajili ya maafisa ushirika, maafisa mikopo na wakopaji ambao hawarejeshi mikopo:

CI. Maswali hapo chini yanataka kufahamu endapo **uadilifu** wa maafisa mikopo na wakopaji wa vyama vya ushirika waakiba na mikopo unaathiri urejeshaji wa mikopo inayotolewa kwa wanachama.

i. Uonavyo wewe nivipi uadilifu huathiri urejeshwaji wa mikopo?

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…

ii. Toa mifano angalau miwili nivipi uadilifu hukiukwa namaafisa mikopo au wakopaji

a) ……………………………………………………………………………….

b) ……………………………………………………………………………….

c) ………………………………………………………………………………..

CII. Maswali hapo chini yanataka kufahamu endapo **tathimini ya sifa na vigezo** vya waombaji wa mikopo katika vyama vya ushirika waakiba na mikopo unaathiri urejeshwaji wa mikopo iliyotolewa

i. Ni kwanamnagani tathimini ya sifa na vigezo vya mwombaji wa mkopo huathiri

urejeshwaji wa mkopo?

…………………………………………………………………………………

…………………………………………………………………………………

………………………………………………………………………………

ii. Je, unaweza toa angalau mifano halisi miwili nikwajinsigani tathimini ya sifa

na vigezo vya mkopaji vinavyoweza kuathiri urejeshwaji wa mikopo?

a) ………………………………………………………………………….

b) ………………………………………………………………………….

c) …………………………………………………………………………

C III. Maswali hapo chini ya nataka kufahamu endapo **thamani zadhamana**

zinazowekwa na wakopaji kwaajili ya mikopo inayotolewa kwenye vyama

vyaushirika wa akiba na mikopo unaathiri urejeshwaji wa mikopo ili yotolewa.

i. Ni kwa jinsi gani thamani ya dhamana huathiri urejeshwaji wa mikopo?

…………………………………………………………………………………

…………………………………………………………………………………

…………………………………………………………………………………

……………………………………………………………………

ii.   Je, unaweza toa mifano halisi angalau miwili ukielezea nikwavipi thamani ya

dhamana inaweza athiri urejeshwaji wa mikopo?

  a)   ………………………………………………………………………

  b)   ………………………………………………………………………

  c)   ………………………………………………………………………

ASANTE KWA USHIRIKIANO