

**ASSESSING THE FACTORS AFFECTING LOAN REPAYMENT AMONG
MEMBERS OF VILLAGE COMMUNITY BANKS (VICOBA): A CASE OF
UBUNGO MUNICIPALITY**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTERS OF ARTS IN
MONITORING AND EVALUATION
DEPARTMENT OF ECONOMICS AND COMMUNITY ECONOMIC
DEVELOPMENT
OF THE OPEN UNIVERSITY OF TANZANIA**

2025

CERTIFICATION

The undersigned certify that he has read and hereby recommends for acceptance by the Open University of Tanzania, a dissertation titled; **“Assessing the Factors Affecting Loan Repayment among Members of Village Community Banks (VICOBA): A Case of Ubungo Municipality”**, in partial fulfilment of the requirements for the Degree of Master of Arts in Monitoring and Evaluation of the Open University of Tanzania.

.....

Prof. Joseph Magali

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Signature

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Date

DEDICATION

Special dedication to my lovely family who most of the time kept on asking for progress of my studies, comforting and encouraging me always. They are the source of my dream, success and joy. I thank God for having them in my life. At last, this research is dedicated to my co-workers for their encouragement towards accomplishment of this academic endeavour.

ACKNOWLEDGEMENTS

In accomplishing this Dissertation, first and foremost I thank the Almighty God for his Love and strengths he has given me as from the beginning to the completion of this work. I wish to express my deepest gratitude to all those who contributed in various ways in the enhancement of sources of this work. However, special thanks should go to my supervisor Prof. Joseph Magali, who sincerely provided his valuable advice, inputs and ultimate recommendations throughout the time of writing this research.

My deep appreciation also goes to my course instructors Dr. Christopher Awinia and Prof. Deus Ngaruko for their highly academic support. My paramount appreciation also should go to the coordination team of OUT for creating a conducive environment to accomplish this work. I heartily admire them for their moral and material support. Their encouragement kept me moving ahead and they are the cornerstones of my success. Thank you so much!

ABSTRACT

This study investigated the factors affecting loan repayment within Village Community Banks (VICOBA) in Ubungu Municipality, Tanzania. The study was motivated by the alarming default rates that persist despite the regulatory measures introduced by the Microfinance Act of 2018. The motivation for this research was based on the need to understand the underlying factors contributing to these high default rates, which threaten the sustainability of community-based financial systems. A significant research gap exists in the literature regarding the specific influences on loan repayment behaviours in this context, particularly in relation to individual, group, and sociocultural factors. To achieve main objective, the study aimed to fulfil several specific objectives which sought to examine individual factors, such as borrowers' attitudes and social ties, affecting loan repayment; (ii) evaluate group factors, including meeting frequency and compliance with group rules; and (iii) investigate sociocultural influences, such as household consumption patterns and educational levels. Grounded in the Grameen Bank Theory, which emphasizes the importance of social networks and community engagement in microfinance, the study adopted a quantitative research design. Data were collected from 240 VICOBA members via structured questionnaires, achieving a response rate of 98.3%. The findings revealed that individual factors, particularly strong social ties and a sense of moral obligation, significantly enhance loan repayment commitment, with 91.1% of participants recognizing the importance of these social connections. Group dynamics also emerged as crucial, with regular meetings and adherence to group rules positively influencing repayment behaviour. Sociocultural factors, while relevant, demonstrated a weaker correlation with repayment commitment compared to individual and group influences. The study highlighted financial knowledge and personal accountability to be vital at improving financial literacy among VICOBA members, fostering stronger group cohesion, and adapting loan terms to better align with members' circumstances. Recommendations for policymakers included ensuring robust group dynamics during VICOBA registration processes and enhancing regulatory frameworks to support sustainable lending practices. Practitioners should focus on effective communication of group rules and provide training to improve record-keeping and financial management skills.

Keywords: *Factors, Loan Repayment, Village Community Banks*

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LIST OF ABBREVIATIONS

APR	Annual Percentage Rate
CBO	Community Based Organization
CFI	Community Finance Initiative
GDP	Gross Domestic Product
LTV	Loan to Value
MFI	Microfinance Institution
MFIs	Microfinance Institutions
MIS	Management Information System
NPL	Non - Performing Loan
SAVIX	Savings Groups Information Exchange
SBA	Small Business Administration
SG	Savings Group
SILC	Savings and Internal Lending Community
URT	United Republic of Tanzania
VICOBA	Village Community Bank
VSLA	Village Savings and Lending Association

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Savings Groups (SGs) are among the world's largest banking systems, defined by Bossuyt et al. (2024) as informal community-based entities functioning as grassroots financial cooperatives. These groups provide financial services to members over a set period, known as a 'cycle,' during which savings and borrowing transactions occur at regular meetings (Burlando *et al.*, 2021). Members can take loans from the pooled funds and repay them with interest after an agreed period (Lapniewska, 2022).

Since the 1990s, development agencies like CARE International, Catholic Relief Services, Oxfam, and World Vision have promoted SGs using models such as Village Savings and Lending Association (VSLA), Savings and Internal Lending Community (SILC), and Village Community Bank (VICOBA) to enhance financial inclusion (Lukwaro, 2019; Gonzales et al., 2022). These agencies also developed the Savings Groups Information Exchange (SAVIX) database, to provide extensive information on SGs globally (Bossuyt *et al.*, 2024). Current statistics indicate that there are 89,487 savings groups with 1,897,239 members, 79% of whom are women, across 44 countries. The total savings amount to \$49,786,733, with an average savings of \$36 per member. The average loan size per member is \$90, with 45% of members having outstanding loans (Mersland *et al.*, 2022).

In Africa, SGs were pioneered by CARE International in Niger in the 1990s, the model was later adopted in other African countries (Magali, 2021). The SAVIX MIS

database shows that in Africa, there are 81,168 savings groups with 1,724,125 members, with total loans outstanding amounting to \$30,099,574. The average outstanding loan size per member is \$92, with 46% of members having loans outstanding (Mersland *et al.*, 2022).

In Tanzania, VICOBA was started by CARE in the 2000s, first in Zanzibar and then spreading to the mainland (Shau, 2022). In 2022, Tanzania had 37,153 registered VICOBA groups with 945,326 members (United Republic of Tanzania, URT, 2023). VICOBA is not just a lending program but also provides microfinance management and enterprise development skills to poor rural communities (Magali, 2021). It brings together 25 to 50 mostly underprivileged people in both urban and rural areas, enabling them to pool their savings to create a community-based bank (Haighai, 2023). VICOBA offers numerous benefits, such as business and entrepreneurship training, access to credit with affordable interest rates, and opportunities for networking and industrialization (Shkeily *et al.*, 2022).

However, VICOBA faces several challenges like of keeping cash in members' homes, lack of proper record-keeping skills, and high default rates (Magali, 2018). Most VICOBAAs fail to provide enough loans due to insufficient capital (Magali, 2021). Participation rates, late repayments, and loan defaults are major challenges (Shau, 2022). Among of many challenges this study focused on was loan repayment concern. Loan repayment issues are prevalent across the globe, affecting both formal and informal lending sectors. This challenge is evident from a global perspective down to the local level in Tanzania.

Small Business Administration (SBA) in the United States reported a 12% default rate on loan repayments in the fiscal year 2019 (Dilger, 2020). In India, microfinance institutions face high default rates, often masked by "rolling over" loans and issuing new ones (Faulkner, 2020). Ethiopia has seen a significant 39% default rate in microfinance institutions, as identified by Dayganto (2022). Similarly, a study in Kenya revealed a 24.5% default rate in microfinance credit performance (Kimotho, 2019).

In Tanzania, Magali (2018) estimated a 22% default rate among VICOBA groups. These figures frankly contrast with the international standard of 3.2% (Medina-Olivares *et al.*, 2021). Efforts to address these issues include the Tanzanian government's Microfinance Act of 2018, which aims to regulate microfinance services and capacity-building initiatives by development agencies. Groups created rules to ensure compliance such as weekly repayments (Shau, 2022).

Researchers identified various factors affecting loan repayment within microfinance groups, Katemana (2020), Sengwan et al. (2020), Sumanasiri and Priyankara (2020), Mehta (2020), Sabin and Reed-Tsochas (2020), Nishimura and Joshi (2021), López-Sánchez et al. (2021), Twesige et al. (2022), Tegambwage and Kasoga (2022), Shau, (2022), Zambrano et al. (2023). These studies noted individual factors like borrowers' attitudes, social ties, and multiple debts and were conducted in various countries including Sri Lanka, Ecuador, India, Sierra Leone, South Africa, Rwanda, and Tanzania, but not specifically in Ubungo Municipality. Group factors influencing loan repayment was researched by Nyabonaki (2017), Lukwaro (2019),

Sabin and Reed-Tsochas (2020), Medina-Olivares et al. (2021), Nishimura and Joshi (2021), Kabui and Ondabu (2021), Tegambwage and Kasoga (2022), Twesige et al. (2022) Shau (2022), Sikowa (2023), Kiros (2023), Durango-Gutiérrez (2023), Nyabwai and Kimutai (2024) and Mwaipaja et al. (2024). These studies mentioned repayment periods, credit scoring models, monitoring among members, and group structure and were conducted in China, India, Bolivia, Colombia, Sierra Leone, Rwanda, Kenya, and Tanzania, but did not focus specifically on VICOBA.

Sociocultural factors affecting loan repayment include household consumption, education levels, and expenditure on social festivals Nyabonaki (2017), Lukwaro (2019), Dubale and Beshir (2020), Katemana (2020), Semegn and Bishnoi (2021), Kenttä (2022), Chilima (2022), Bantu and Malik (2022), Muthini and Ndede (2022), Shau (2022), Mgongolwa et al. (2023), Ahamad and Rahim (2023) and Sing and Sing (2024). These studies were conducted in various countries including Sweden, Malaysia, India, Ethiopia, South Africa, Kenya, and Tanzania, but did not specifically consider the Microfinance Act 2018 in Tanzania.

1.2 Statement of the Problem

Ubungu Municipality encompasses 14 administrative wards, housing a total of 420 Village Community Banks (VICOBA) with 10,795 members, among whom 6,131 are female (UMC, 2017). Despite various measures implemented to mitigate loan default risks, such as small group formation, compulsory savings, and penalty enforcement default rates remain alarmingly high (Shau, 2022). Magali (2018) approximated a 22% default rate among VICOBA groups in Tanzania, significantly

surpassing the international standard of 3.2%. Similarly, Joyce and Akarro (2016) noted a 16% default rate in Ilala Municipality, exacerbating concerns about financial sustainability. Although the Microfinance Act of 2018 and subsequent regulations by the Bank of Tanzania (BOT, 2019) aim to address default through dispute handling procedures and regular reporting, challenges persist. Despite government and organizational efforts, loan repayment remains a persistent issue (FinScope Tanzania, 2017). Thus, this study sought to cover the information gap on factors influencing loan repayment in the study area.

1.3 Objectives of the Study

1.3.1 General Objectives

The broad objective of the study is to assess the factors affecting loan repayment among VICOBA members in Ubungo Municipality.

1.3.2 Specific Objectives

The study endeavoured to accomplish the following objectives:

- i. To assess the individual factors affecting loan repayment in VICOBA
- ii. To examine the group factors affecting loan repayment in VICOBA
- iii. To investigate social cultural factors affecting loan repayment in VICOBA

1.4 Research Hypothesis

- i. H1. There is a positive relationship between individual factors and loan repayment behaviour in VICOBA.

- ii. H1. There exists a positive association between group dynamics within VICOBA and loan repayment.
- iii. H1. There is a positive relationship between social and cultural factors within the VICOBA context and loan repayment.

1.5 Scope of the Study

The study focused on understanding the factors that influence loan repayment. Specifically, the research investigated the individual, group and socio-cultural factors that impact loan repayment behaviour among VICOBA members. The study focused on 420 registered VICOBA with a total of 10795 members 6131 being female as per Municipal Community Department Officer data. Scope selection was based on the fact that Ubungo Municipality is a newly formed council almost 8 years ago with limited studies on VICOBA particularly on factors that influence loan repayment. Through this comprehensive analysis, two variables were measured to provide valuable insights that can inform strategies for enhancing the efficiency and sustainability of VICOBA in Ubungo Municipality.

1.6 Significance of the Study

The study provides a significant role to policy makers, academicians/researchers and VICOBA practitioners including community members, promoters, agencies, donors and other development partners. VICOBA play a pivotal role in fostering financial inclusion and empowering communities, especially in resource-constrained settings. By understanding the factors influencing loan repayment, policy makers can fine-tune their strategies and design more effective policies to support these groups. For

instance, findings show that 65.7% of VICOBA members have no trust to their fellow members within the same group, which means one may delay repayment to wait until confidence to the group gains. This means the study acts as a wakeup call to VICOBA registrars to observe that members who are forming the group are well familiar to each other to avoid mistrust among themselves as they move forward.

From an academic perspective, studying the factors affecting loan repayment in community microfinance groups a basis for future academic endeavours like multiple debts found to have little information on its advantages or disadvantages to VICOBA growth in Ubungo Municipality that can provide a foundation for comparative studies across different regions and types of microfinance institutions.

For practitioners

This study offers valuable understandings for practitioners engaged in VICOBA. It emphasizes the importance of properly disseminating and internalizing group rules among group members to ensure compliance and sustainable group dynamics. Rather than joining groups based solely on personal invitations, practitioners are encouraged to establish trust and familiarity with all group members to promote accountability. The findings also caution practitioners against inheriting perceived problems to loan repayment like multiple debts, instead, they should seek and rely on professional financial guidance to make informed decisions and maintain financial stability. Moreover, the study highlights the need for adherence to regulatory frameworks particularly the Microfinance Act of 2018 as a critical step in strengthening loan repayment practices and fostering financial discipline among VICOBA members.

1.7 Structure of the Study

The report is structured into five chapters. Chapter one is composed of the background of the study, problem statement, general and specific objectives, research hypothesis, scope of the study, and significance of the study. Chapter two comprises the definition of key concepts, literature review, which is divided into theoretical and empirical literature review. Others include the conceptual framework and research gap. Chapter three starts with methodology, research philosophy, research approach, research design, study population, and sampling procedures. Also, the work encompasses primary data, questionnaire, validity, reliability, variables and measurement, data processing and analysis, as well as ethical considerations. Chapter four consists of findings and discussion based on specific objectives and chapter five includes conclusion and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

A literature review involved examining previously published research on a particular academic topic or subject to identify areas where further investigation is needed and suggest directions for future research (Pautaso, 2019). This process includes activities such as searching for relevant sources, reading and summarizing them, compiling information, analysing findings, interpreting results, and properly citing the sources used (Chigbu et al., 2023). Three important sections were considered; theoretical literature review preceded by definition of terms, empirical literature review and conceptual framework (Getachew & Hamid, 2019).

2.1 Definition of Terms

In research or any literally work there are many words, constructs, phrases for which multiple definitions exist. In some cases, some words definitions and common usage have changed overtime (Curry, 2022). Key terms, variables and common terms used repeatedly in this research work are defined to ensures that readers understand the components of the study in the way that it meant to be.

2.1.1 Individual Factors

Individual factors are referred to personal characteristics that is learning goal orientation and proactive personality. This also includes personal behaviour dynamic, reciprocal or interactive network of personal factors, behaviour and the surroundings mainly perpetuated by one's insights, intuition, hunches, ideas and visions expressed by courses of action (Zia et al., 2020).

For the purpose of this study individual factors are personal determinants that an individual member of VICOBA demonstrate and it has direct influence in loan repayment. Issues like income stability, moral obligation, financial discipline, social connections, repayment history of an individual, and adherence to group rules are considered as indicators for individual factors.

2.1.2 Group Factors

Group factors are those factors emanated through a community consisting of one or more individuals who interact with each other in order to accomplish a certain goal guided by common principles. The groups are created formally and informally within the community at different times and for different goals (Asc et al., 2015). For the purpose of this study group factors means those factors that affect loan repayment in VICOBA groups as the results of conditions set by the VICOBA group for instance frequency of group meeting, training programs to group members and interest rate, registration status of the group, group support to members and satisfaction of group rules by members.

2.1.3 Sociocultural Factors

Sociocultural factors are customs, lifestyles and values that characterize a society or group. Cultural aspects include concepts of beauty, education, language, law and politics, religion, social organizations, technology and material culture, values and principles. A socio-cultural is a combination of social and cultural factors that have strong interaction that exists between them (Masovic, 2018).

This study defines sociocultural factors as those issues that are communal or socially owned and they are practiced by the influence of culture. Family obligations, commitments in social occasions like weddings, social norms considerations, community reactions towards defaulters, and business skills.

2.1.4 Loan Repayment

Loan repayment in this context refers to commitment, ability and willingness to repay the loan based on agreed terms (Tegambwage, 2022).

2.2 Theoretical Literature Review

2.2.1 Grameen Bank Theory

The Grameen Bank theory, also known as the Grameen microcredit theory, can be traced back to 1970's during establishment of the Grameen Bank (Ullah *et al.*, 2024). The theory was formally established by Yunus Muhammad when pioneering microfinance institution that was based on making modest, collateral-free loans to disadvantaged people, particularly women, who do not have access to standard banking services (Lal *et al.*, 2023). Ali et al. (2022) noted that the central idea is providing access to small loans, or microcredit, can empower impoverished individuals to start and expand their small businesses. Based on the Grameen Bank Theory established in 1976 by Professor Muhammad Yunus at the University of Chittagong; providing loans, rather than charity, is the key to breaking the cycle of poverty (Barua & Khaled, 2023). According to Oranga and Ondabu (2018) the theory states that poor members of the society are better borrowers since they value the relationship that they have with the bank. By offering people the chance to start

their own businesses or invest in agriculture, they can earn a living and repay their loans, empowering them to build a better future (Cordeiro, 2020).

Various scholars such as Rahman and Lay (2020), Kartika (2019), Muroyiwa (2019), Mbogo (2018), Kayongo and Mathiassen (2020), Gawala (2018), Swain and Garikipati (2021), Obrist et al. (2022), Marsden et al. (2019), Mutoko (2020) and Chaleunsinh and Fujita (2021) have linked Grameen Bank Theory with microloans performance, interest rates, joint liability in control of default, safe borrowers, moral hazards behaviour, loan repayment, timely credit, financial literacy, financial inclusion, entrepreneurial spirit in relation to loan performance, business skills, community culture and trust.

This study assessed how the Grameen Bank Theory is useful to overcome challenges connected to delays in loan repayment among VICOBA members in Ubungo Municipality. The individual factors that involve moral issues and trust are well covered in the theory to be most valuable asset to poor people (Malhotra, 2023). The group factors like group terms and support to one another are discussed as indispensable for strong cohesion to enforce loan repayment (Johnson *et al.*, 2021). Sociocultural factors like social norms linked to the theory through the argument that respect to each strengthen positive relationship and trust which is a catalyst to loan repayment (Afriyie *et al.*, 2020). From the findings it was discovered that lack of trust among group members cause delays in loan repayment something that was observed also by Grameen Bank. Based on the literature that the study went through and the best level of the researcher's knowledge, apparently this is the first study

conducted in Ubungo Municipality since implementation of Microfinance Act of 2018 that the Grameen Bank Theory is applied in managing loan repayment.

2.2.1.1 Strength of the Theory

Rahman (2019) stated that Grameen Bank's group lending encourages loan investment and high recovery rates, promoting sustainable development. Magali (2022) emphasized its role in modern microfinance by replacing collateral with group lending among borrowers of similar economic status. Mutoko (2020) highlighted its potential to address financial discrimination against women and support female entrepreneurs.

2.2.1.2 Weakness of the Theory

The theory overlooks individual behaviours that can harm the group, focusing on those with lower expected income and delaying dividends until potential borrowers are reached (Oranga and Ondabu, 2018). It inadequately addresses high-income earners and creates a free rider problem in loan repayment, making it less applicable in urban settings (Aman, 2021).

2.2.2 Theoretical Gap/Contribution

This study confirmed the gap from the Grameen Bank Theory. The theory doesn't consider the fact that individual behaviours can potentially harm the group in case of wrong selection of members during group formation. Therefore, the theory is silent on what should be done to control individual behaviours that can harm the group. The theory should put special emphasis to registration authorities like councils in this

case to screen members during registration procedures to minimize intentional individual traits that cause group dynamics to affect loan repayment (López-Sánchez et al., 2021; Nishimura & Joshi, 2021; Sabin & Reed-Tsochas, 2020; Kenttä, 2022; Semegn & Bishnoi, 2021). The Grameen Bank Theory doesn't fully explore how individual motivations and group interactions influence loan repayment. By addressing this gap, we can refine the theory to better understand patterns of loan repayment behaviours that lead to better-designed microcredit programs like VICOBA.

2.3 Empirical Literature Review

An empirical literature review is systematically identifying, processing, and analysing the empirical literature to provide an answer to a specific research topic by relying on objective findings that were obtained through problem investigation, hypotheses, data collection, analysis and reporting (Ante *et al.*, 2023).

2.3.1 Individual Factors

López-Sánchez et al. (2021) investigated default risk determinants in Ecuadorian savings groups, strength from the study is that strong social ties improve repayment, while weak ties worsen it. However, the study did not consider institutional factors that provide a gap for further studies. Nishimura and Joshi (2021) studied Indian microcredit groups, revealing that social homogeneity boosts household income and repayment, though these findings may not apply to all group lending systems like VICOBA in Ubungo that comprise members from different backgrounds. This weakness of the study opens up the room for further studies.

Twesige et al. (2021) identified causes of loan defaults in Rwandan microfinance institutions, finding that management failures significantly impact non-performance, using Structural Equation Modelling (SEM). Shau (2022) analysed challenges for informal lending groups in Tanzania, highlighting absenteeism and dropouts. The study left a vacuum on the connection between socio-cultural influences on management failure which needs further studies.

2.3.2 Group Factors

Medina-Olivares et al. (2021) studied spatial dependence in microfinance credit default in China using logistic regression, finding the importance of an efficient credit scoring model considering spatial dependence. The study's findings are particularly relevant to microcredit schemes managed by individuals with moderate to high levels of expertise in microcredit operations. In community-based models like VICOPA, leadership and management roles are often filled by ordinary citizens either elected based on trust or serving voluntarily. Therefore, further research is recommended on the application of enhanced credit assessment tools tailored to the unique context of community-based microcredit systems like VICOPA.

Sabin and Reed-Tsochas (2020) examined cooperative dilemmas in group lending in Sierra Leone, identifying strong group structures as enhancing cooperation but not connecting group factors with individual behaviours. The study does not provide a clear justification for the foundation of strong group structures. This raises important questions: Are these structures reinforced by legal frameworks governing cooperatives, or do they rely solely on the loyalty and commitment of their

members? Further researches are needed to reveal the reality on the basis for competencies of these group structures to embrace group management that aligns with existing legal and regulatory frameworks.

Nyabwai and Kimutai (2024) analysed credit terms and loan performance in Kenyan SACCOS, finding a negative impact of credit terms on loan performance. The study didn't show if the credit terms align with guidelines provided by regulatory frameworks like the Microfinance Act 2018. Further studies can be conducted to investigate compliances of credit terms to regulatory frameworks to help ordinary members to make progress in their microfinance schemes. Leaving the terms to be decide at the discretion of groups microcredit schemes might end up being burden to practitioners. This study investigated individual and group factors affecting loan repayment in VICOBA in Ubungo Municipality, Dar es Salaam.

2.3.3 Sociocultural Factors

Kenttä (2022) studied small loans among low-income earners in early 20th century Sweden, using regression analysis and the supply and demand theory, revealing issues with income matching consumption influence loan repayment. However, the study ignored the fact that the consumption of a community is determined by socio-cultural practices. This means further research needs to be conducted on influence of socio-cultural patterns household consumption.

Bantu and Malik (2022) investigated socio-economic factors affecting loan repayment of youth revolving funds in Ethiopia, using the solidarity group theory

and a sample of 380 groups. The study found peer pressure, loan diversion and time of maturity affect loan repayment. The study doesn't consider the fact of homogeneity composition of members. All determinants affecting loan repayment in the study are highly related to homogeneity of members. Their focus was solely on youth, while this study aimed to examine socio-cultural factors affecting loan repayment in VICOBA in Ubungo Municipality. Further studies can be done to investigate the relationship between homogeneity composition of group members and loan repayment.

Dubale and Beshir (2020) analysed factors affecting loan repayment among Ethiopian smallholder farmers using the Tobit regression model, identifying education level, non-farm income, and social expenditures as influential. Sikowa (2023) explored group, business, and lender characteristics influencing loan defaults in Kenya's Uwezo fund, finding poor group management and lack of training as significant factors. Unlike Sikowa's focus on professionally managed groups, this study focused on self-managed VICOBA groups. Nyabonaki (2017) examined VICOBA in Dar es Salaam, using descriptive statistics and participatory theory, highlighting the appeal of voluntary savings and collateral-free loans. Further studies need to be done on the effectiveness of collateral-free loans in economic empowerment. This study investigated how sociocultural factors within VICOBA influence loan repayment.

2.4 Conceptual Framework

According to Awunyo-Vitor (2018), a conceptual framework is a guide and integrating ecosystem that helps researcher intentionally to bring all aspect of a study

together through a process that implicates their connections, disjuncture, overlaps, tension and the context. Variables from the specific objectives were used to show the relationship between independent and dependent variables. Panda (2021) argued that the dependent variable is measured by regression analysis where the effect of changes in the independent variable are observed in dependent variable.

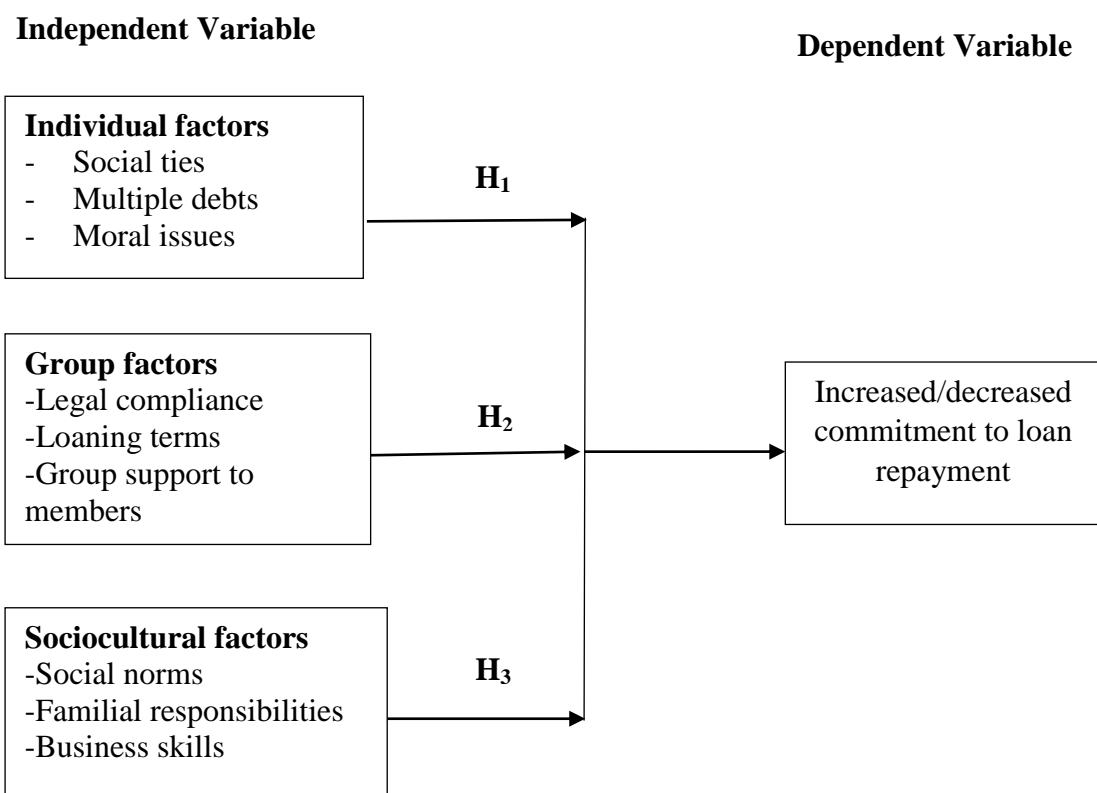


Figure 2.1: Conceptual Framework

Source: Kituku and Oluoch (2021)

2.5 Research Gap

In the context of Ubungu Municipality, there exists a notable research gap pertaining to the assessment of factors influencing loan repayment within Village Community Banks (VICOBA). Despite various studies conducted in different areas of Tanzania

and other parts of Dar es Salaam on this subject, there is a distinct absence of specific research in Ubungo Municipality on the particular topic especially after enactment of Microfinance Act 2018 and started to be implemented in 2021. So, after the Act the VICOBA environment is regulated differently in terms of registration, management, membership and modality of operations.

The first objective of this research sought to assess individual factors influencing loan repayment within Village Community Banks (VICOBA) in Ubungo. Despite the growing importance of VICOBA in fostering financial inclusion, there is a noticeable research gap in exploring the unique individual level factors that contribute to loan repayment challenges within this specific context. Lukwaro (2019) in her study pointed out challenges of individual members like low level of education but she didn't point out how it affects loan repayment. This research filled a critical gap in understanding the individual local details influencing loan repayment behaviours after being regulated differently.

The second objective focused on examining group factors affecting loan repayment in VICOBA. While group dynamics play a pivotal role in microfinance settings, there is a shortage of research conducted in the Ubungo area specifically beyond implementation of Microfinance Act 2018. Nkyabonaki (2017) in the study, they didn't mention group related factors that might be detrimental to the group performance including loan repayment. This study bridged this gap by investigating how group dynamics within VICOBA influence loan repayment and improve loan repayment outcomes in Ubungo. Shau (2022) in the study the assessment of

challenges facing the growth of informal lending groups in Tanzania: The case of VICOBA talked about many challenges that affect growth of VICOBA in Iringa but the socio-cultural factors never appeared to be among of factors. There is not enough information on socio-cultural factors that affect loan repayment. This study investigated the socio-cultural influences on loan repayment, contributing valuable insights that can inform culturally sensitive financial strategies and interventions.

CHAPTER THREE

METHODOLOGY

3.1 Chapter Overview

This chapter describes the research philosophy employed, research approach used, research design and study population. Other parts of this chapter include sampling procedure, primary data, secondary data, validity and reliability of the study, data analysis and research ethical considerations. It is in this chapter the researcher showed how data were collected based on the objectives of the study.

3.2 Research Philosophy

Research philosophy refers to the set of beliefs concerning the nature of the reality being investigated and the choice of the research philosophy depends on the knowledge being investigated (Kirongo & Odonoy, 2020). There are three main research philosophies namely positivism, interpretivism and pragmatism (Jansen, 2023). Positivism is the philosophy of science which contends that information derived from logical and mathematical treatments and reports of sensory experience is the exclusive source of all authoritative knowledge, and that there is valid knowledge (truth) only in this derived knowledge. The concept of Positivism is the basis of quantitative research methodology (Kenaphoom, 2021).

This study adopted a positivism research philosophy due to its focus on objectively measuring and analysing observable phenomena related to loan repayment behaviours among VICOBA members in Ubungo Municipality. Positivism is appropriate because the study sought to identify causal relationships between

individual, group, and sociocultural factors and loan repayment, relying on quantifiable data collected through structured questionnaires (Kirongo & Odonoyo, 2020).

By embracing a positivist approach, the research maintains a clear separation between the researcher and the participants, ensuring that findings are based on empirical evidence rather than subjective interpretation. The study emphasized generalizable findings through statistical analysis of responses from 240 participants, reflecting positivism's commitment to scientific consistency and replicability (Park et al., 2019).

3.3 Research Approach

Research approach is a plan for research that span the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation (Creswell & Creswell, 2018). Deductive research approach was employed in this study due to its objectivity, generalizability and its effectiveness to test a theory under quantitative study (Kumar, 2024). Bias with either data collection or data analysis were highly eliminated as there was no direct contact with the respondents (Xiong, 2022). Findings yielded from quantitative studies can be generalized to a larger population in different settings (Haradhan, 2020).

3.4 Research Design

Research design is a set of advance decisions that makes up a master plan specifying the methods and procedures for collecting and analysing the needed information

(Taherdoost, 2021). Formulating a research design helps the researcher to make correct decisions in each and every step of the study. It assists to spot the important and insignificant tasks of the research work. It creates the research work constructive and interesting by providing microscopic facts at every step of the research process (Ansari *et al.*, 2022). Explanatory research design is the type of research design which is used to investigate how or why a certain situation occurs. It is usually useful when only few information about the topic is available, so it helps to bring in more insights on a given phenomenon, it is sometimes referred as “causal-effect” model (George and Merkus, 2023).

In this study, an explanatory research design was adopted based on the objective of the study and the way results were expected to be produced. The research design was fit for the purpose as it led the study to establish relationship and assess causal-effect to loan repayment and unpark why delays in paying loans occur despite of all mechanism in place. The study used quantitative type of research design or approach to conduct the study because the actual collected data were quantified in terms of numbers and consequently quantitative data analysis technique was employed (Adedoyin, 2020).

3.5 Study Population

According to the Municipal Community Department Officer, the UMC has 420 registered VICOPA with a total of 10795 members with 6131 being female. This part is basically dominated by two sub parts, location of the study and socio-economic activities that the population under the study engage.

3.5.1 Location

Ubungo Municipal Council is one of the Six (6) Councils of Dar Es Salaam Region. The Municipality is bordered by the Kibaha District to the North, Kinondoni District to the South-East, and Kisarawe District to the West with coordinates 6°47'20"S 39°12'20"E (UMC,2017). Administratively the Municipality of Ubungo is made up of 14 administrative wards, and these are further subdivided into 91 "Mitaa". The Municipal Council has a total area of 210 square kilometers with a total population of 1,086,912 female 566,987 with an average house hold size ranging from 2.8 to 3.8 (NBS, 2022).

Magali (2018) approximated 22% of loans in Tanzania are defaulted while Joyce & Akarro (2016) noticed loans defaulting by VICOBA members was fairly high (16%) in Ilala Municipality. This is a shocking rate since it is above five times the recommended international default rate of 3% (Owusu *et al.*, 2015). Overall repayment of VICOBA loans in Dar es Salaam had mixed results, with slightly over half of borrowers completely repaying their first loan. This rate of repayment is low compared to well established MFIs, where repayment rates above 90% are common and necessary towards operational or self-sufficiency (Accion, 2017). The above scientific issues underscored the need for undertaking the study in UMC.

3.5.2 Socio-Economic Activities

Strategic Plan for Ubungo Municipal Council (2018/2019 – 2022/2023) estimated that Ubungo has the population of 1,078,928 among of those 733,671 are manpower whereby 61% are engaged in private sector, 35% are self-employed and 4% are

employed in public sector. The activities engaged are private companies, institutions, business, petty trade, fish farming, livestock keeping and agricultural activities (UMC, 2017). Activities in the area spread based on the nature of the activity. Fish farming, agriculture horticulture in particular (crops, generally fruits, vegetables, and ornamental plants) and livestock keeping are mostly found in semi-urban wards like Mbezi, Msigani, Kibamba, Goba, and Kwembe. Products from these economic sectors are shared across the council where 12 markets with a total of 8172 petty traders use to sell the produce. The population under study also engage in social activities like Zaramo rituals, such as the *Mwali* rites specifically the native Zaramo tribe (UMC, 2016).

3.6 Sampling Plan

Sampling plan determines sampling unit, the sample size, and the sampling procedures. By studying the sample, units for example people, groups, organizations from a population of interest can fairly generalize our results back to the population from which they were chosen (Orichom & Omeke, 2021). The population considered in the study is 10795 members of registered VICOBA from 14 wards of UMC. To minimize potential non-response bias, the study maximized response rate to 98.3% considered to be excellent (Wilson et al., 2024). In this study, the sampling plan comprised sample frame, sample size, and sampling procedures as articulated hereunder.

3.6.1 Sample Frame

According to the Municipal Community Department Officer, the UMC has 420 registered VICOBA with a total of 10795 members with 6131 being female. For the

period of 2022/2023, the total capital of all groups accounted to TZS 9,784,232,000 of which the total number of loans issued were 9283 with a total value of TZS17,763,948,800. Out of all issued loans 13% of all loans with a value of 2,309,313,344 were defaulted. Among the defaulted loans 3% borrowers ended up by repaying the only first round while the remaining paid up to 60% of the loan.

3.6.2 Sample Size

George and Markus (2023) reasoned that a sample is a small part of a population selected for observation and analysis, the characteristics of which the researcher came up with, can enable the researcher to make certain inferences about the population from which sample was drawn. They maintain that there is no sample size that is the best; any sample can be acceptable depending on the nature of the study. However, a good sample should be that which reflects an actual profile of population from which it is drawn. The whole process of sample selection must be aimed at minimizing bias in the sample (Kleiman et al., 2023).

From the population under the study, the total number of members in all groups was 10795 in the study area and the level of confidence used was 95%. Following the Daniel (1999) formula the sample size when the total number of members in all VICOBA groups is 10795 were:

$$\text{Formula: } n = [z^2 * p * (1 - p) / e^2] / [1 + (z^2 * p * (1 - p) / (e^2 * N))]$$

Where: $z = 1.96$ for a confidence level (α) of 95%, p = proportion (expressed as a decimal), N = population size, e = margin of error.

$$z = 1.96, p = 0.2, N = 10795, e = 0.05$$

$$n = [1.962 * 0.2 * (1 - 0.2) / 0.052] / [1 + (1.962 * 0.2 * (1 - 0.2) / (0.052 * 10795))]$$

$$n = 245.8624 / 1.0228 = 240.387$$

$$n \approx 240$$

The sample size (with finite population correction) was equal to 240

3.6.3 Sampling Procedure

Kumar and Johri (2018) in the study Governance of the Venture Capital Investment sampled ventures using systematic sampling. The research used a systematic sampling, to select wards and groups to engaged in the study while simple random sampling was applied to get participants within the group (Thomas, 2020). The same approach was adopted by assigning numbers to Wards after being arranged alphabetically, then peaked one after every two wards. This means Wards number 3,6,9, and 12 were peaked. The study peaked the first 6 groups in 4 selected wards where 2 groups from 2 wards with many groups were considered and 1 group was peaked from 2 wards with few groups. Therefore, within the group simple random technique was applied to get 10 participants from each group.

3.7 Primary Data

Primary data refers to the first-hand data gathered by the researcher himself. Some sources of primary data are surveys, observations, questionnaires, focus groups, case study and interviews (Ajayi, 2023). Primary data is the data that is not published yet and is the first-hand information which is not altered by any individual. Researchers use different approaches to gather and collect primary data for a specific purpose. Thus, the validity, reliability, objectivity, and authenticity of data are most

considered in primary data in comparison with the secondary data types (Taherdoost, 2021). In this study primary data were collected using questionnaires.

3.8 Questionnaire

A questionnaire is a key method for gathering information from primary source and is essentially an observational tool. In this process, individuals are given a list of written items and are asked to indicate their choices by ticking the option they find most suitable (Ajayi, 2023). This study used questionnaires to collect all data that aimed at assessing factors affecting loan repayment in VICOBA.

3.9 Validity

Validity of a research study refers to how well the results among the study respondents represent true findings among similar individuals outside the study. A quality of the research as whether it will measure what it is supposed to measure (Das,2022). Validity was established by using well-established variables from previous studies that genuinely capture individual characteristics relevant to loan repayment (Sürücü & Maslakci, 2020). The study used scientific tools including descriptive analysis, explanatory data analysis to test the collected data and ensure its validity (Kubai, 2019).

To ensure validity, the study depended on the judgment and opinion of experts in the field of microfinance including the research supervisor. The study also relied on asking right questions and avoided relying on limited data that are likely to comprise the study (Kubai, 2019).

Table 3.1: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.825
Bartlett's Test of Sphericity	Approx. Chi-Square	654.234
	df	45
	Sig.	0.000

Source: Researcher (2024)

To evaluate the adequacy of the sample and the appropriateness of factor analysis for the study, Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity were used. The KMO Measure of Sampling Adequacy yielded a value of 0.825, which is well above the acceptable threshold of 0.5. A KMO value greater than 0.8 indicates that the sample size was adequate and that the data were suitable for factor analysis. This confirms that the variables used in the study were properly correlated and the sample size was sufficient to derive meaningful conclusions from the analysis. The Bartlett's Test of Sphericity produced a Chi-Square value of 654.234 with 45 degrees of freedom and a p-value of 0.000. This highly significant result ($p < 0.001$) indicates that the correlations between the variables were strong enough to conduct factor analysis. The results from these tests suggest that the data collected in this study were valid and appropriate for assessing the factors affecting loan repayment in VICOBA, further supporting the validity of the study's findings.

3.10 Reliability

Reliability in measurement refers to how consistent a research method is. If a research method consistently produces similar results, it can be considered highly reliable (Creswel & Creswell, 2018). According to Kennedy (2022), American Psychological Association (APA) a reliability of 0.8 means the variability is about

80% true. In this study reliability testing used Cronbach alpha using SPSS software of which the condition of accepting the reliability, the value of the Cronbach alpha should be 0.7 and above.

Table 3.2: Reliability Statistics

Cronbach's Alpha	N of Items
0.845	32

Source: Researcher (2024)

The Cronbach's Alpha coefficient for this study was calculated as 0.845 for a total of 32 items. This value indicates high internal consistency, meaning that the items used to measure the factors affecting loan repayment among VICOBA members were closely related and measured the same underlying constructs. A Cronbach's Alpha above 0.8 suggests strong reliability, implying that the research instrument is stable and the findings can be trusted to reflect consistent results if the study were replicated (Kennedy, 2022).

The Cronbach's Alpha value of 0.845 was significantly higher than the minimum threshold of 0.7, indicating that the questionnaire used in this study was reliable and that the individual, group, and sociocultural factors being measured are well-aligned. This high level of reliability implies that the data collected from the 32 items consistently represented the factors influencing loan repayment among the participants. Consequently, the researcher and policymakers can be confident that the study's findings are dependable and that any patterns or conclusions drawn from the data are based on consistent and accurate measurements.

3.11 Variables and Measurement

The study measured variables using four key elements: the variables, their quantity, the measurement indicators, and their sources. The dependent variable, loan repayment, were measured by timely repayment and adherence to loan terms (Shau, 2022). Three independent variables were assessed using various indicators. Individual factors were evaluated through social ties, multiple debts, and moral considerations (López-Sánchez *et al.*, 2021). Group dynamics were measured by legal compliance, loan terms, and group support (Nyabwari & Kimutai, 2024). Socio-cultural influences were examined through social norms, familial obligations, and business skills (Sing & Sing, 2024).

3.12 Data Processing and Analysis Plan

In this study data processing and analysis phase, collected questionnaire data were thoroughly examined using SPSS software Version 29.0. Initially, codes and templates were developed to systematically organize the data. Descriptive statistics, such as frequency, percentage mean, mode, and standard deviation, were used to present a simplified summary of the data (Taherdoost, 2021). Both individual and group factors were analysed descriptively for clear and accessible presentation (Sabah *et al.*, 2022). Additionally, inferential analysis method was employed to test the significance of differences in respondents' views on socio-cultural factors affecting loan repayment in VICOBA, enabling conclusions about the larger population from a smaller sample (Taherdoost, 2020; Sabah *et al.*, 2022).

3.13 Ethical Consideration

Ethical considerations in research are principles that guide research design and practices, ensuring researchers adhere to institutional standards (Fleming & Zegwaard, 2018). To prevent data fabrication, which involves making up and reporting false data (Kang & Whang, 2020), the researcher-oriented data clerks, closely monitor data collection to ensure ethical conduct. Also, participants were taken through the questionnaire before filling up. A letter from the Open University of Tanzania (OUT), confirmed the study's legitimacy and ethical approval (Fleming & Zegwaard, 2018). Informed consent was obtained by providing participants with detailed information about the study, ensuring they understand its purpose, procedures, risks, and benefits to make informed decisions (Mirza *et al.*, 2023). To avoid plagiarism, the researcher acknowledged all sources and ideas using APA style 7th edition, ensuring the study's validity and respect for previous contributions (Sharma & Verma, 2020).

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.1 Overview

This chapter presents and discusses findings based on specific objectives of the study. To make it more visible, subheadings are created to unpack concepts that were meant in each specific objective. The demographic variable results are also presented to link with other findings.

4.2 Response Rate

A total of 240 questionnaires were distributed to participants, out of all distributed 236 were completely filled and 4 were partially filled that caused the researcher to drop those questionnaires. This means that the response rate was 98.3% and this high rate of response was achieved following the availability of participants centrally at their meeting points.

According to Wilson et al. (2024) a response rate of 67% and above is considered to be excellent. Before administering questionnaires, participants were well oriented on the essence of participating in filling up questionnaires and its contribution in their normal savings and lending life. Having understood the exercise, they consented and filled up forms.

Table 4.1: Response Rates of Research Sample

Sample Size Expected	Sample Size Responded	Response Rate
240	236	98.3%

Source: Researcher (2024)

4.3 Demographic Variables

For the purpose and demand of this study, demographic variables that were considered included age which was captured in age categories as adapted from (Statistics Canada, 2022). Also, the study captured sex and education level of participants as per Tanzania Education and Vocational policy of 2014 edition of 2023.

4.3.1 Age of the Respondents

Findings show that majority of participants who were involved in the study mostly range from 20-29 who were 21.6%, 30-39 were 43.6 while 40-49 were 28.4%. According to National Bureau of Statistics (2022) 25-54 years of age is the prime working age. This implies that the study reached the right age group for saving and lending.

Table 4.2: Demographic Information

Variable	Category	Frequency	Percentage
Sex	Male	93	39.4
	Female	143	60.6
Age Category	15–19	2	0.8
	20–29	51	21.6
	30–39	103	43.6
	40–49	67	28.4
	50–59	10	4.2
	60+	3	1.3
Education Level	Primary school dropout	7	3
	Primary	42	17.8
	Secondary	73	30.9
	Certificate	27	11.4
	Diploma	34	14.4
	Higher education	53	22.5

Source: Researcher (2024)

4.3.2 Gender of the Respondents

The findings from the gender variable revealed that the majority of participants were female, accounting for 60.6%, compared to 39.4% male participants. This observation aligns with Tegambwage and Kasoga (2022), who found that 89.6% of group borrowers in their study across Dar es Salaam, Mwanza, and Arusha were women. These results suggest that more focus should be directed toward women when assessing the effectiveness of legal frameworks, such as the Microfinance Act of 2018, which regulates VICOBA operations. By doing so, policies can better address the unique challenges and opportunities faced by female borrowers.

The study also revealed that 29% of male participants had outstanding loans outside their VICOBA group, compared to only 18% of female participants. This indicates a higher default rate among male members, aligning with Nakato's (2021) findings, which suggest that a group's profit-generating capacity decreases as the percentage of male members rises. Additionally, Bhandari (2022), in a study covering 70 countries, noted that female clients in microfinance tend to have higher repayment rates, fewer write-offs, and lower perceived credit risk. Grameen Bank's experience further supports this, attributing repayment difficulties primarily to male borrowers.

Table 4.3: Gender of Participants Vs Outstanding Debts apart from VICOBA

Loan Cross Tabulation

Gender of Respondents	Outstanding debts apart from VICOBA loan		Total
	Yes	No	
Male	27	66	93
Female	26	117	143
Total	53	183	236

Source: Researcher (2024)

4.3.3 Education Level of the Respondents

The study revealed that 79.2% of VICOBA members had achieved secondary to higher education levels, with 22.5% holding higher education degrees. This suggests a strong link between education and savings practices. Mori (2019) similarly observed that individuals with higher education levels are more likely to engage in income-generating and savings activities. Furthermore, Jacob's (2019) research on factors influencing personal savings found that education significantly increases the likelihood of regularly saving within savings groups. These findings emphasize the role of education in fostering financial discipline and participation in savings programs.

4.4 Discussion on the Role of Independent Variables towards the Dependent Variable

The objective of this study was to assess the factors affecting loan repayment among members of Village Community Banks (VICOBA) in Ubungo Municipality. The study specifically examined how three key independent variables; Individual Factors (IF), Group Factors (GF), and Sociocultural Factors (SCF) influence the Increased/Decreased Commitment to Loan (IDCL) repayment, which is the dependent variable. The analysis was conducted using Pearson's Correlation Coefficient, and the results are summarized in the table below: -

Regression Analysis

This section presents the results of a multiple linear regression analysis conducted to examine the extent to which individual factors, group factors, and sociocultural

factors influence the commitment to loan repayment among members of Village Community Banks (VICOBA) in Ubungo Municipality. The purpose of this analysis was to determine the strength and significance of the relationship between these independent variables and the dependent variable, providing a deeper understanding of the predictive power of the model used in this study. The analysis includes the model summary, ANOVA results, coefficients table, and interpretation of findings based on the research objectives.

Table 4.4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.721	0.520	0.505	0.436

Source: Researcher Data, 2024

The correlation coefficient (R) is 0.721, and the R Square value is 0.520. The adjusted R square is slightly lower at 0.505, while the standard error of the estimate is 0.436. This pattern suggests that the model has a strong ability to predict the dependent variable. Specifically, 52% of the variation in commitment to loan repayment can be explained by the combination of individual, group, and sociocultural factors. The remaining 48% may be explained by other variables not included in the model. The small difference between R Square and Adjusted R Square implies that the model is robust and the independent variables are relevant.

Table 4.5: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	12.812	3	4.271	22.486	0.000
Residual	11.812	62	0.190		
Total	24.624	65			

Source: Researcher Data, 2024

The regression sum of squares (12.812) is larger than the residual sum of squares (11.812). The F-value is 22.486, and the significance value (p-value) is 0.000. The model is statistically significant, as the p-value is less than 0.05. The high F-value (22.486) indicates that the regression model provides a better fit to the data than a model without predictors. This implies that the selected independent variables (individual, group, and sociocultural factors) significantly influence loan repayment commitment.

Table 4.6: Coefficients

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
(Constant)	1.132	0.212	—	5.340	0.000
X ₁ (Individual factors)	0.418	0.097	0.452	4.309	0.000
X ₂ (Group factors)	0.299	0.104	0.308	2.875	0.006
X ₃ (Sociocultural factors)	0.221	0.096	0.216	2.302	0.025

Source: Researcher Data, 2024

All variables had positive unstandardized B coefficients. The individual factor had the highest B value (0.418), followed by group factors (0.299) and sociocultural factors (0.221). All variables were statistically significant with p-values less than 0.05. This suggests that all three independent variables had a positive and significant impact on loan repayment commitment. Individual factors were the strongest predictor of increased commitment, implying that a borrower's personal traits (like discipline and motivation) greatly influence repayment. Group and sociocultural factors also contribute but to a slightly lesser extent. Programs that strengthen individual and group accountability are likely to improve loan performance.

Regression Equation:

The regression model becomes:

$$Y = 1.132 + 0.418X_1 + 0.299X_2 + 0.221X_3 + \alpha$$

Where:

Y = Commitment to Loan Repayment

X_1 = Individual Factors

X_2 = Group Factors

X_3 = Sociocultural Factors

α = Error term

The regression analysis aimed to examine the influence of individual, group, and sociocultural factors on members' commitment to loan repayment. The derived regression model is: $Y = 1.132 + 0.418X_1 + 0.299X_2 + 0.221X_3 + \alpha$, where Y represents commitment to loan repayment, X_1 denotes individual factors, X_2 represents group factors, and X_3 captures sociocultural factors, with α being the error term.

The model revealed that all three independent variables have a positive effect on loan repayment commitment. Specifically, individual factors contributed the most (0.418), followed by group factors (0.299), and sociocultural factors (0.221). The constant value of 1.132 suggests that even in the absence of these variables, there is a baseline level of commitment. This implies that improving personal responsibility, strengthening group mechanisms, and considering cultural norms can significantly enhance loan repayment behaviour among VICOBA members.

4.5 Individual factors and Loan Repayment Behaviours

The study hypothesized that there is a significant relationship between individual factors and loan repayment behaviour in VICOBA. To test the hypothesis social ties and multiple debts and moral considerations were analysed as suggested also by (López-Sánchez *et al.*, 2021).

4.5.1 Social ties apply significantly in Loan Repayment

The study measured social ties variable using the closed-ended question and the perception of individuals in Likert scales measuring the same attitude in alternative versions to triangulate the rationality of their answers (Baburajan *et al.*, 2020). The analysis revealed that both measurements show significant percept of response that positively support social ties apply significantly in loan repayment. Close-ended questions 86.9% of participants opted “yes” while 50.8% in Likert scale opted for strongly agree and 40.3% chose agree that makes a total 91.1%. Both measurements proved that social ties apply significantly in loan repayment with only insignificant deviation of 4.2%. The significance of social ties in loan repayment was also found by (Postelnicu *et al.*, 2019).

Table 4.7: Social Ties Apply Significantly in Loan Repayment (Close-ended questions)

Response	Frequency	Percent
Yes	205	86.9
No	31	13.1
Total	236	100.0

Source: Researcher (2024)

Table 4.8: Social Ties Apply Significantly in Loan Repayment (Likert scale)

Responses	Frequency	Percent
Strongly agree	120	50.8
Agree	95	40.3
Neutral	15	6.4
Disagree	4	1.7
Strongly disagree	2	0.8
Total	236	100.0

Source: Researcher (2024)

4.5.2 Multiple Debt

Analysis was made using crosstabulation to find out how many participants have multiple loans from their VICOBA and out of VICOBA. Results revealed that 20% of participants had multiple debts to mean they owe from VICOBA and other sources. According to Saefullah et al. (2022) in their paper on over-indebtedness of Microfinance Clients in Indonesia and Tanzania, they argued that in the multiple debts, one loan may be used to fulfil another loan obligation within or to another source. This means the loan taken will never replicate and ensure repayment. However, the study also noticed that some members wish to take loan from multiple sources due to insufficient capital of their group which means the amount taken will be mainstreamed in production channel. The same finding was obtained in Uganda when members wanted enough capital for investment (Sunday, 2007).

Table 4.9: Cross tabulation of VICOBA Loan Ownership and Outstanding Debts apart from VICOBA

Do you have loan from your VICOBA group	Outstanding debts apart from VICOBA loan		Total
	Yes	No	
Yes	47	119	166
No	6	64	70
Total	53	183	236

Source: Researcher (2024)

The study went further to find out the reason for those who do not or have loans out of VICOBA. The study found that 28.4% do not have outstanding debts out of VICOBA unwillingly due to various reasons, 7.2% due to limited criteria, 2.5% limited source of income, 3.4% these are just new members to the group and 5.1% have recently finished repaying. This means the actual percent of participants who wish to access loans out of VICOBA is 48.4% only 17.4% were not interested on loans out of VICOBA. All these reasons were collected from 47% of the sample while 53% did not respond. Same finding was noticed by (Saefullah *et al.*, 2022).

Table 4.10: Reason for having or not having Loan out of VICOBA

Reasons	Frequency	Percent
Limited criteria	17	7.2
Limited source of income	6	2.5
Not interested	41	17.4
New member	8	3.4
Expand business (+)	20	8.5
Family responsibility	4	1.7
Recently finished	12	5.1
Interest rate	3	1.3
Clients without loans	125	53.0
Total	236	100.0

Source: Researcher (2024)

4.5.3 The moral obligation of Loan Repayment

As part of individual factors on loan repayment, the analysis from the study using the closed-ended question and the perception of individuals in Likert scales as used by (Baburajan *et al.*, 2020). The analysis discovered that both measurements show that moral obligations apply suggestively to loan repayment. The closed-ended question scored 94.5% of agreement while on the perception side the results show a cumulation of 94.3% of positive response. These results are in line with the study that noticed responsibility feelings increase moral obligation in paying back the loan (Khan & Siddiqui, (2019).

Table 4.11: The moral obligation of Loan Repayment

Response	Frequency	Percent
Yes	223	94.5
No	13	5.5
Total	236	100.0

Source: Researcher (2024)

Table 4.12: Perception on Loan Repayment and Moral obligation

Response	Frequency	Percent
Strongly agree	183	77.5
Agree	42	17.8
Neutral	6	2.5
Disagree	2	.8
Strongly disagree	3	1.3
Total	236	100.0

Source: Researcher (2024)

4.5.4 Individual Loan Repayment Behaviour

The study sought to understand individual behaviour toward loan repayment. Likert scale was applied to measure the perception. On aggregate, 33.9% perceived that

delays are intentional, 31.8 were not sure but 34.3% perceived that delays are not intentionally organized. The finding conforms to Cyrus (2016) who also found mixed kind of perception where 41.2% of respondents strongly agree that they were unwilling to repay the loan, 18% agreed and 14.1% disagreed that people were unwilling to repay the loan. The results also concur with Bananuka et al. (2017) and Ayele et al. (2020) whose findings noted the intentional default caused by missing loan collateral and intentional diversion of loan purpose.

Table 4.13: Intentional Loan Repayment delays within Group Settings

Response	Frequency	Percent
Strongly agree	43	18.2
Agree	37	15.7
Neutral	75	31.8
Disagree	31	13.1
Strongly disagree	50	21.2
Total	236	100.0

Source: Researcher (2024)

Regarding repayment history, 47% of participants reported always paying on time, while 53% admitted to varying levels of delay. This conforms to Cyrus's (2016) findings, where 71.7% of respondents didn't adhere to their repayment plans. Factors influencing timely repayment included income stability (58%) and financial discipline (28%). These findings align with Aung (2024) and Adamou et al. (2020), who identified business management practices and income stability as key predictors of timely loan repayment. Further analysis showed that 62% of participants with consistent on-time payments credited income stability, while 27.9% attributed it to financial discipline (Sangwan et al., 2020; Saravanan & Aishwariya, 2024).

Table 4.14: Rating of Loan Repayment History

Response	Frequency	Percent
Always on time	111	47.0
Mostly on time	66	28.0
Sometimes late	32	13.6
Often late	17	6.9
Always late	10	4.5
Total	236	100.0

Source: Researcher (2024)

The study went further to find out factors that influence ability to repay loan on time for an individual. In this regard, income stability scored 58% followed by financial discipline that accounted for 28% of respondents. Family support, Moral obligation, and social connections possessed low percentages to influence ability to repay loans. The results concur with the finding that states borrowers' characteristics, loan characteristics and social influences are just external factors, however; effective business management practices and income stability were noticed as critical predictors of timely repayments (Aung, 2024; Adamou *et al.*, 2020; Thu, 2024).

Table 4.15: Factors influencing the ability to repay Loans on time

Responses	Frequency	Percent
Income stability	137	58.1
Family support	10	4.2
Moral obligation	9	3.8
Financial discipline	68	28.8
Social connections	12	5.1
Total	236	100.0

Source: Researcher (2024)

The study also tested the consistency of responses from participants using crosstabulation of two variables between loan repayment history and factors that

influence ability to repay loans. The analysis proved that 62% of participants who pay their loans always on time depend on income stability as noted by (Aung, 2024), (Adamou *et al.*, 2020). Furthermore, those who always pay on time and they consider financial discipline to influence that ability scored 27.9% which tallies with previous responses. These findings concur with results found by Sangwan et al. (2020) who argued that financial discipline in borrowers limit the possibility of default. Another finding indicates a significant positive correlation between consistent loan repayment and improved financial discipline (Saravanan & Aishwariya, 2024).

Table 4.16: Cross tabulation on Loan Repayment History and factors influencing timely Loan Repayment

Loan Repayment History	Factors influencing the ability to repay loans on time					Total
	Income stability	Family support	Moral obligation	Financial discipline	Social connections	
Always on time	69	5	2	31	4	111
Mostly on time	36	2	5	22	1	66
Sometimes late	14	2	1	14	1	32
Often late	13	0	0	1	2	16
Always late	4	1	1	0	4	10
Total	136	10	9	68	12	235

Source: Researcher (2024)

The findings revealed that individual factors significantly influence loan repayment in two variables out of four. High percentages of respondents cited moral obligation 94% and social ties 91.1% as key motivators for repayment, indicating the importance of personal values and community influence. However, the presence of multiple debts appeared to have insignificant influence as only 22.4% among

borrowers had multiple debts (in and out of their VICOBA). The study also found that 50.4% had only one loan from their VICOBA while 27.1% had no loan at all at the time of the study. The analysis also looked at the individual intentional delays where 33% was noted to be delaying intentionally. Findings also show that there are some other genuine factors that influence loan repayment like income stability that scored 58.1%. These insights highlight the need for loan management strategies that consider both economic, social and personal behavioural factors.

4.6 Group factors and Loan Repayment

The study hypothesized that there exists association between group dynamics within VICOBA and loan repayment. To test the hypothesis group factors under analysis included frequency of group meeting, legal compliance and practices, groups terms and conditions including interest rate (Bolnick, 2018); (Burlando et al., 2021).

4.6.1 Frequency of Group Meeting as Per Schedule

The study found that 96.6% of participants admitted that the group meets as scheduled. However; the punctuality remains questionable where 32.6% attend always on time, 22% were most on time while 33.9% account for often and always late. The finding conforms to findings noticed by Asrat (2016) who found that 50% active punctual attending group sessions and engaging in group activities while the rest 50% attend twice a month. Sandnes (2020) got similar finding though it wasn't quantified it was stated that many group members do not attend to group meetings as they stay far away from meeting points and weather challenge most of the time it rains.

Table 4.17: Punctuality of VICOBA Members during Group Sessions

Responses	Frequency	Percent
Always on time	77	32.6
Mostly on time	53	22.5
Sometimes late	26	11.0
Often late	61	25.8
Always late	19	8.1
Total	236	100.0

Source: Researcher (2024)

4.6.2 Legal Compliance and Practices

The study examined the legal compliance and practices of the VICOBA groups under the study. Communication in the groups were found to be very effective at 91%, 90.3% of participants admitted that their groups are legally registered and 96.2% confirmed that their VICOBA groups comply to legal requirements. The study went further to verify the understanding of participants on the relationship between VICOBA legal compliance and loan repayment, 86.4% cumulative believe that legal compliance influence loan repayment. This finding concurs with the Microfinance Act requirements (Bank of Tanzania, 2019). Also, it conforms to the results that found legal compliance to provide a solid foundation for business operations and provide additional confidence (Setyarini et al., 2024).

Table 4.18: Legal Compliance of VICOBA Group helps in Repayment of Loans

Responses	Frequency	Percent
Strongly agree	121	51.3
Agree	83	35.2
Neutral	31	13.1
Strongly disagree	1	0.4
Total	236	100.0

Source: Researcher (2024)

4.6.3 Terms and Conditions

From the sample of the study, 95.3% were aware on loaning terms and conditions while only 4.7% were unaware of terms and conditions. The study went further to find out how participants are satisfied on how terms and conditions are fairly administered in their groups. In this regard, 65.3% admitted that interest rate is fairly administered. Nakato (2024) also found members were comfortable with interest rate as they participated in deciding. On the same note, 12.7% opted for amount of loan provided and this conforms to the finding from Lopez-Sanchez (2022) who found that 9.7% were satisfied by payback period.

This result is considerably low and it concurs with results from (Mutebi *et al.*, 2017) that payback period is not accepted by rural people as it doesn't suit with their income stream while collateral scored 9.3%. This was also noticed by Muroyiwa (2019) who argued that collateral is not accepted by poor people due to their limited base of assets. Payment schedule was voted by only 2.1%. This result conforms to Lopez-Sanchez (2022) who suggested that a weekly loan repayment schedule posed problems for borrowers who generate a lower revenue cycle.

Table 4.19: Fairly administered Loaning Term

Terms	Frequency	Percent
Interest rate	154	65.3
Payback period	23	9.7
Amount of loan	30	12.7
Collateral	22	9.3
Payment schedule	5	2.1
Others	2	0.8
Total	236	100.0

Source: Researcher (2024)

The findings revealed that while VICOBA groups hold regular meetings as scheduled, punctual attendance remains a challenge, with only 32.6% of members consistently arriving on time. There is a significant association between group-related factors and loan repayment behaviour as 90.3% of the groups comply with key operational requirements, including official registration, and 95.3% effectively communicate terms and conditions to their members. However, group support among members appears to be minimal. Overall, the results indicate strong adherence to group structures and norms, reinforcing the positive link between group dynamics and loan repayment performance.

4.7 Socio-Cultural and Loan Repayment

The study theorized that there is a statistically significant relationship between social and cultural factors within the VICOBA context and loan repayment. A socio-cultural is a combination of social and cultural factors that have strong interaction that exists between them (Masovic, 2018.) To test the hypothesis socio-cultural factors under analysis included the willingness of group members to support their fellow group member in loan repayment, community reaction to community members who do not repay loans, understanding of group members on necessary skills for loan repayment (Postelnicu et al., 2018).

4.7.1 The study examined how Members are Supportive to Each Other in Case one has failed to Repay Loan under Social Capital Consideration.

The results found that only 21.6% acknowledged that there is support from group members in case one fails to repay the loan to the group while 78.4% opposed the

statement. The results concur with the findings that argued group members can support each other under joint liability (Postelnicu et al., 2018; Ajah et al., 2020; Burlando et al., 2021).

4.7.2 Community influence and Loan Repayment

The study also tested the community reaction to members who had not repaid their loan taken from the group. Participants differed in perception though most of them shared the same understanding. This was seen from 78.4% who showed that a defaulted member earn mistrust from the community, 9.7%, 8.1% and 3.8% of participants pointed to isolation, limited connection and labelling respectively. In the study on community influence in microfinance loans, non-joint liability when members organizing themselves as peers the one with delinquent behaviour in loan repayment is avoided, this increases commitment to members (Adbi et al., 2024). Groups faced challenges with loan repayment, which led some members to drop out and caused some groups to dissolve, a member with bad history was denied to join a newly formed group (Wheaton, 2028).

4.7.3 Necessary skills for Loan Repayment

Social aspect also covered necessary skills that one should have to ensure loan repayment. Business skills (Kiptum, 2019), loan management skills, financial discipline (Saravanan & Aishwariya, 2024) Return on business and loan purpose (Ha & Dang, 2021) were assessed to the participants. From the findings business skills scored 36.4% to be necessary skills for loan repayment. This rate is low to what was discovered by Ndege (2018) who noted a cumulative of 88% of those affirmed on

business skills. Loan management skills got 30.5% from the results; this concurs to positive influence though not quantified in loan repayment as argued by (Okwemba and Malenya, 2020). Financial discipline scored 20.8% that again confirm to the findings of Saravanan and Aishwariya (2024) who indicated a significant positive correlation between consistent loan repayment and improved financial discipline. Return on business and loan purpose just counted insignificant to influence loan repayment 1.3% and 11.0% respectively as affirmed by Ha and Dang (2021) to be significantly uncorrelated to the probability of on time loan repayment.

Table 4.20: Key Factors to Ensure Successful Loan Repayment

Answers	Frequency	Percent
Business skills	86	36.4
Loan management skills	72	30.5
Financial discipline	49	20.8
Return on business	3	1.3
Loan purpose	26	11.0
Total	236	100.0

Source: Researcher (2024)

The analysis reveals that socio-cultural factors have an insignificant impact on loan repayment behaviour. Notably, 78.4% of respondents do not feel obligated to support one another in loan repayment under the concept of social capital. While community influence appears weak in holding individuals accountable, 78% of defaulters reported experiencing mistrust from their communities a social consequence that, although damaging to the individual, offers little remedy or protection for the lending group as a whole.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Overview

This chapter covers the conclusions and recommendations based on the specific objectives. Contribution of the study to the theory and direction for future studies also have been featured in this chapter.

5.2 Conclusion

The findings revealed a complex interaction of social, financial, and personal factors influencing loan repayment in VICOBA. While social ties serve as a strong motivator, they do not always prevent over-indebtedness, especially when individuals manage multiple loans. Moral obligations are important, but practical factors like income stability and financial discipline are key to ensuring timely repayment. Furthermore, group cohesion and support mechanisms are weak, with members often focused on individual success rather than collective support during defaults.

Group meetings and legal compliance play a role in improving repayment, but issues such as punctuality and dissatisfaction with loan terms indicate that more flexible, member-centric group regulations such as extended repayment periods and adjusted collateral requirements could alleviate financial tension. Additionally, there is a clear need for better training on business and loan management skills to enhance repayment behaviour and support sustainable growth within VICOBA communities.

5.3 Recommendations

Recommendation from this study is based on three levels as observed through findings from policy point of view, practitioners and academicians as follows

5.3.1 Policy Point of View

Based on the findings, it is evident that regulatory authorities are primarily focused on the registration status of VICOBA groups, while overlooking the critical aspect of group dynamics and cohesion. This oversight is reflected in the lack of trust among members within the same group, suggesting that many groups may have been formed without proper coordination or may be driven by the interests of a single individual who invited others to join. To address this issue, it is recommended that councils responsible for registering VICOBA groups should go beyond simple registration and actively assess the cohesion and shared interests of members before approving a group. This would ensure that members are aligned in their goals, fostering a stronger sense of trust and unity, and ultimately leading to better group performance and loan repayment outcomes.

5.3.2 Recommendation to Practitioners

The findings revealed a gap in the understanding of group rules and regulations among VICOBA members, as well as the broader microfinance policy framework. Some members expressed dissatisfaction with their own group's rules, which implies that they may not have been adequately involved in the rule making process, or the regulations were not effectively communicated before implementation. To address this, it is essential for empowerment organizations, promoters, group leaders, and

community development facilitators to thoroughly disseminate both locally designed and national policy frameworks governing VICOBA operations. Ensuring that members have a clear and unified understanding of these guidelines from the formation stage to the operation and potential dissolution of the group to foster transparency, participation, and overall satisfaction within VICOBA communities.

5.3.3 Recommendation to Academicians

The findings revealed that nearly half of VICOBA members (48.8%) express a desire to access loans outside of the group, primarily because the demand for loans consistently exceeds the available resources within VICOBA. While literature often highlights the risks associated with multiple debts it's important to consider scenarios where loans capital in different groups are not sufficient. This raises the need for further research, particularly in areas like Ubungo, where the demand for multiple loans is high. Such studies would help inform practitioners on how to better communicate the concept of managing multiple debts to VICOBA members, ensuring that it is understood as a tool that, if managed well, could enhance rather than hinder financial growth.

It is further recommended that academicians conduct a focused research study in Ubungo Municipality to investigate the actual loan default rate among VICOBA members. Findings indicate that group-related factors such as regulatory compliance, adherence to group terms and conditions, and overall governance practices are well observed, with some reaching up to 90% compliance, the issue of default rate has not been established.

5.3.4 Contribution to the Theory

Findings from this study contributes to the Grameen Bank Theory by adding the rationale for considering registration procedures by registration authority like councils in this case that will easily notice individual motivations, group interactions and group dynamics that are likely to affect loan repayment.

Additionally, the theory should acknowledge that individual behaviours can negatively impact the entire group. It is therefore essential for the theory to emphasize that, regardless of the circumstances, it is the potential borrowers themselves who must be directly engaged and reached. Refining the theory will help to better understand and model loan repayment behaviours that will lead to better-designed microcredit programs like VICOBA that are more sustainable.

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APPENDICES

Appendix 1: Questionnaires

Group name _____ Ward _____

Mtaa _____

1. In which age category are you

(1) 15-19 ☐ (2). 20-29 ☐ (3). 30-39 ☐ (4). 40-49 ☐ (5). 50-59 ☐ (6). 60+ ☐

2. Sex? 1. Male ☐ 2. Female ☐

3. What is your highest education level

1. Primary school dropout ☐

2. Primary level ☐

3. Secondary level ☐

4. Certificate level ☐

5. Diploma level ☐

6. Higher education level ☐

4. Do you have a loan from your VICOBA group? 1.Yes ☐ 2. No ☐

5. Do you have any outstanding debts apart from VICOBA loan? 1.Yes ☐ 2. No ☐

6. If yes or no give reason _____

7. Do you think social ties apply significantly in loan repayment? 1. Yes ☐ 2. No ☐

8. Social ties apply significantly in loan repayment

1.Strongly agree ☐ 2. Agree ☐ 3. Neutral ☐ 4. Disagree ☐ 5. Strongly disagree ☐

9. Do you think repaying a loan is a moral obligation? 1.Yes ☐ 2. No ☐

10. Loan repayment is a moral obligation

1.Strongly agree ☐ 2. Agree ☐ 3. Neutral ☐ 4. Disagree ☐ 5. Strongly disagree ☐

11. Sometimes people in the group intentionally delay loan repayment

1.Strongly agree ☐ 2. Agree ☐ 3. Neutral ☐ 4. Disagree ☐ 5. Strongly disagree ☐

12. How would you rate your loan repayment history?

1. Always on time ☐ 2. Mostly on time ☐ 3. Sometimes late ☐ 4. Often late ☐ 5.

Always late ☐

13.What among the following factors influence your ability to repay loans on time?

1. Income stability ☐ 2. Family support ☐ 3. Moral obligations ☐ 4. Financial discipline ☐ 5. Social connections ☐

14. Among the following factors which one contribute significantly to the delay on loan repayment

1. Unstable income

2. Lack of business skills

3. Social obligations

4. Multiple debts

5. Family responsibilities

6. Laser fair

7. Luxurious

8. Others specify _____

15. Does the VICOBA group meets as scheduled? 1.Yes ☐ 2. No ☐

16. How punctual are VICOBA members during the group sessions

1. Always on time ☐ 2. Mostly on time ☐ 3. Sometimes late ☐ 4. Often late ☐ 5.

Always late ☐

17. How do you rate communication within the VICOBA group

1. Excellent ☐ 2. Better ☐ 3. Good ☐ 4. Moderate ☐ 5. Bad ☐

18. Is the VICOBA group legally registered 1. Yes ☐ 2. No ☐

19. Do you think VICOBA complies with legal requirements 1. Yes ☐ 2. No ☐

20. Legal compliance of VICOBA group helps group repayment of loans

1. Strongly agree ☐ 2. Agree ☐ 3. Neutral ☐ 4. Disagree ☐ 5. Strongly disagree ☐

21. Are you aware of the terms and condition for loaning? 1. Yes ☐ 2. No ☐

22. Loan terms and conditions are clearly communicated to all group members

1. Strongly agree ☐ 2. Agree ☐ 3. Neutral ☐ 4. Disagree ☐ 5. Strongly disagree ☐

23. Among the following Loan terms which one do you consider to be fairly administered among the group members

1. Interest rate ☐

2. Payback period ☐

3. Amount of loan ☐

4. Collaterals ☐

5. Payment schedule ☐

6. Other specify

24. Loan terms are fairly to the members

1. Strongly agree ☐ 2. Agree ☐ 3. Neutral ☐ 4. Disagree ☐ 5. Strongly disagree ☐

25. Do you think Group members are supportive in helping each other to loan repayment? 1. Yes ☐ 2. No ☐

26. VICOBA group contributed to your default to repay the loan 1. Yes ☐ 2. No ☐

27. How do you rate the VICOBA group contributed to your default to repay the loan

1. Highly ☐ 2. Medium ☐ 3. Neutral ☐ 4. Low ☐ 5. Never ☐

28. How the group contributed to your default to repay the loan?

29. Which among of the following is significant repercussion for not repaying loan

1. Isolation

2. Mistrust

3. Limited social connection

4. Labelling

5. Others specify _____

30. How do you rate community repercussions for not repaying loans

1. Very high ☐ 2. High ☐ 3. Medium ☐ 4. Low ☐ 5. Very low ☐

31. Which among the following do you consider to be useful in loan repayment

1. Business skills ☐ 2. Loan management skills ☐ 3. financial discipline ☐ 4. Return on business ☐ 5. Loan purpose ☐

32. How the loan amount you received satisfied your needs

1. Very high ☐ 2. High ☐ 3. Moderate ☐ 4. Low ☐ 5. Very low ☐

33. How would you rate the risk level of your investment?

1. Very high ☐ 2. High ☐ 3. Moderate ☐ 4. Low ☐ 5. Very low ☐

34. How do you perceive the importance of collateral in securing loans?

1. Very high ☐ 2. High ☐ 3. Moderate ☐ 4. Low ☐ 5. Very low ☐

35. Among the following aspect which one do you think can be done in transforming the VICOBA of today

1. Training to VICOBA members
2. The use of collaterals when securing loan
3. Compliance to group regulations
4. Close follow up to loan purpose of the member
5. Comply to government regulations
6. Other specify_____

Research Clearance Letter



Ref. No OUT/ PG201702082

23rd July, 2024

President,

Youth Empowerment and Mindset Change Organization (YEMCO),

P.O.Box 55068,

DAR ES SALAAM.

Dear President,

RE: RESEARCH CLEARANCE FOR MR. IZACK MBILINYI REG NO: PG201702082

2. The Open University of Tanzania was established by an Act of Parliament No. 17 of 1992, which became operational on the 1st March 1993 by public notice No.55 in the official Gazette. The Act was however replaced by the Open University of Tanzania Charter of 2005, which became operational on 1st January 2007. In line with the Charter, the Open University of Tanzania mission is to generate and apply knowledge through research.

3. To facilitate and to simplify research process therefore, the act empowers the Vice Chancellor of the Open University of Tanzania to issue research clearance, on behalf of the Government of Tanzania and Tanzania Commission for Science and Technology, to both its staff and students who are doing research in Tanzania. With this brief background, the purpose of this letter is to introduce to you **Mr. Izack Mbilinyi, Reg.No: PG201702082**), pursuing **Master of Arts in Monitoring and Evaluation (MAME)**. We here by grant this clearance to conduct a research titled **"Assessing the Factors Affecting Loan Repayment among Members of Village Community Banks**

(VICOBA) the Case of Ubungo Municipality”. He will collect his data at your office from 24th July 2024 to 30th September 2024.

4. In case you need any further information, kindly do not hesitate to contact the Deputy Vice Chancellor (Academic) of the Open University of Tanzania, P.O.Box 23409, Dar es Salaam. Tel: 022-2-2668820. We lastly thank you in advance for your assumed cooperation and facilitation of this research academic activity.

Yours sincerely,

THE OPEN UNIVERSITY OF TANZANIA



Prof. Gwahula Raphael Kimamala

For: **VICE CHANCELLOR**



YOUTH EMPOWERMENT & MINDSETCHANGE ORGANIZATION

P.O. Box 75832, Dar es Salaam, Tanzania+255 713212199/+255 715448643

info@yemco.or.tz Sinza white inn, adjacent white inn bus stand

Ref No.YMC/1/02/Vol. 01

1st August, 2024

Mr. Izack Mbilinyi,
Reg No: PG201702082.
THE OPEN UNIVERSITY OF TANZANIA
P.O. Box 23409
Dar es salaam, Tanzania

RE: ACCEPTANCE OF RESERCH ACTIVITY BY MR. IZACK MBILINYI (PG201702082)

With reference to your letter at YEMCO Vicoba Tanzania with reference number Ref No: OUT/PG201702082 dated 23rd July, 2024, regarding the research clearance granted to Mr. Izack Mbilinyi, a student pursuing Master of Arts in Monitoring and Evaluation at The Open University of Tanzania.

On behalf of the Youth Empowerment and Mindset Change Organization (YEMCO), I would like to formally acknowledge and accept your request. We are pleased to welcome Mr. Izack Mbilinyi to conduct his research titled "Assessing the Factors Affecting Loan Repayment among Members of Village Community Banks (VICOBA): The Case of Ubungo Municipality."

We recognize the importance of this academic exercise and we are confident that the study will contribute meaningfully to the improvement of financial practices and community development efforts.

Thank you for your continued collaboration and academic engagement.

Yours sincerely,

Mohammed Iddi Almasi

Chief Executive Officer (CEO)

Youth Empowerment and Mindset Change Organization (YEMCO)

