

**LOAN DELINQUENCY AND THE FACTORS INFLUENCING NON
PERFORMING OF LOAN REPAYMENT TO TRADERS SACCOS
LOAN DELINQUENCY: A CASE OF TRADERS SACCOS ILALA
MUNICIPAL**

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**A DISERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENT FOR THE DEGREE OF MASTER OF COMMUNITY
ECONOMIC DEVELOPMENT OF THE OPEN UNIVERSITY OF
TANZANIA**

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CERTIFICATION

This is to certify that, I have gone through the research report titled Loan delinquency and repayment performance for Mchikichini and TADA SACCOS found at Ilala municipal Dar es Salaam and found it in a form of acceptable for the partial fulfillment of the requirement for the Master of Business Administration of the Open University of Tanzania.

.....

Dr.Felician Mutasa

.....

Date

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DECLARATION

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DEDICATION

This work is dedicated to my parents Emilian Luoga, Romana Ntanga and my Aunt Stella Emilian for the love and tolerance they showed me, when I could not be with them, for longer time due to study commitments.

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ABSTRACT

The main objective of this study is to assess loan Delinquency and the factors that influence non performing the repayment of SACCOS loan. The study assesses the factors causing non repayment of loan to SACCOS members; examine the level of loan repayment performance of their members. Also to assess whether the aspect used by SACCOS to force borrowers repaying the loan on time is suitable. A total of 120 questionnaires were administered to members of Mchikichini and TADA traders SACCOS at Ilala SACCOS. A total of 66 respondents were successfully interviewed or return the questionnaires. Analysis of data revealed that there is a problem in loan repayment performance to SACCOS members. Factors identified for the poor loan repayment was as follows: The diversion of loan funds by borrowers, non supervision of loan, on effective loan utilization and the time for repayment period was not enough. It was also found that traders SACCOS annual interest rate were moderate. Nevertheless the mechanism used to assist in loan utilization and repayment is not effective enough. The study recommended that traders SACCOS leaders should make sure that members use loan for intended purpose through having monthly routine of visiting their businesses. SACCOS leaders should educate their members on selecting profitable business which will provide them a lot of profit. Higher profit will enable them to overcome other need of money. Leaders should advise their members to avoid credit sales Also loan repayment time should be reasonable and in accordance to the amount of loan received and Management staff should be professional and competent to their duties.

TABLE OF CONTENTS

CERTIFICATION	ii
COPYRIGHT	iii
DECLARATION	iv
DEDICATION	v
ACKNOWLEDGEMENT	vi
ABSTRACT	vii
LIST OF TABLES	xii
LIST OF FIGURES	xiii
LIST OF ABBREVIATION	xiv
CHAPTER ONE	1
1.0 INTRODUCTION	1
1.1 Background of the Study	1
1.2 Statement of the Problem	4
1.3 Research Objectives	6
1.3.1 General Research Objective	6
1.3.2 Specific Objectives	6
1.4 Research Questions	6
1.4 Specific Research Questions	6
1.5 Significance of the Study	7
1.6 Organization of the Report	7
CHAPTER TWO	8
2.0 LITERATURE REVIEW	8
2.1 Overview	8

2.2 Conceptual Definitions	8
2.2.1 Definition of SACCOS	8
2.2.2 Loan Delinquency	9
2.2.3 Loan Repayment Performance.....	10
2.2.4 Traders SACCOS	10
2.2.5 Interest Rates.....	11
2.2.6 Financial Knowledge	11
2.3 Theoretical Review	12
2.3.1 Loan Utilization Theory.....	12
2.3.2 Minimizing Ex-ante Moral Hazard Theory	12
2.3.3. Loan Portfolio Theory.....	13
2.3.5 Fraud Risk Theory	14
2.3.6 Loan Portfolio Testing Process Theory	14
2.3.7 The Causes of Delinquency to Traders SACCOS Members	15
2.3.5 Lending Conditions.....	16
2.4 Empirical Literature Review	16
2.4.1 General Studies on Loan Delinquency and Performance of Repayment to Traders SACCOS.....	16
2.4.2 Studies in African Countries	17
2.4.3 Empirical Studies in Tanzania	18
2.5 Research Gap Identified.....	19
2.6 Conceptual Frame Work	20
2.8 Theoretical Framework.....	21

CHAPTER THREE	22
3.0 RESEARCH METHODOLOGY	22
3.1 Overview	22
3.2 Research Design.....	22
3.2.1 Area of the Study	23
3.2.2 The Population Size	23
3.2.3 Sample and Sampling Techniques	23
3.2.4 Data Collection Techniques	24
3.2.4.1 Primary Data	24
3.2.5.2 Secondary Data	25
3.2.5 Variables, Measurements and Procedures	25
3.2.6 Data Analysis	26
3.2.7 Validity of Data.....	26
3.2.8 Reliability of Data.....	27
CHAPTER FOUR	28
4.0 RESEARCH FINDING, ANALYSIS AND DISCUSSION	28
4.1 Introduction.....	28
4.2 Demographic Characteristics of the Respondents	28
4.2.1 Gender.....	28
4.3 Training Before Receiving Loan.....	30
4.4 Ways of Training Before Respondents Receiving Loans	30
4.5 If Training Helped to Increase Income	31
4.6 The Status of the Loan	32
4.7 The Reasons for the Loans to be in Arrears.....	33

4.8 The Loan Repayment Periods of SACCOS	34
4.9 The Suitability of Repayment Period.....	35
4.10 Aspect Forcing Borrowers to Repay Loan in Time	35
4.11 Supervision on Loan Utilization	36
4.12 Supervision on Loan Repayment	37
4.13 Level of Loan Repayment Performance to SACCOS Members.....	38
4.14 Interest Rate Charged by TADA and Mchikichini SACCOS.....	40
CHAPTER FIVE	41
5.0 FINDINGS AND RECOMMENDATIONS	41
5.1 Introduction.....	41
5.2 Findings.....	41
5.3 Conclusions.....	43
5.4 Recommendations.....	43
5.4.1 General Recommendations	43
5.4.2 Specific Recommendations.....	45
5.3.5 Recommendation for Further Research	46
REFERENCES.....	48
APPENDICES	52

LIST OF TABLES

Table 4.1: Education Level of the Respondents29

Table 4.2: Ways of Training Before Respondents Receiving Roans.....30

LIST OF FIGURES

Figure 2.1: Conceptual Framework	20
Figure 2.2: Theoretical Framework	21
Figure 4.1: Ways of Training Before Respondents Receiving Loans.....	31
Figure 4.2: The Status of the Loan.....	32
Figure 4.3: The Reasons for the Loans to be in Arrears	33
Figure 4.4: The Suitability of Repayment Period	35
Figure 4.5: Aspect Forcing Borrowers to Repay Loan in Time	35
Figure 4.6: Supervision on Loan Utilization.....	36
Figure 4.7: Supervision on Loan Repayment.....	37

LIST OF ABBREVIATION

ACOSCA	Africa Cooperative Savings and Credit Association.
AEMFI	Association Ethiopian Microfinance Institutions
CMF	Center for micro finance limited
FCS	Financial Cooperatives
ICA	International Co-operative Alliance
IFC	Information Financial Co-operative
MFIS	Microfinance Institutions.
MUSSCO	Malawi Union of Savings and Credit Cooperative
NGO'S	National Micro finance Policy
SACCOS	Saving and Credit Co-operative Society
SIDO	Small industry development organization.

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Cooperatives were introduced in Tanzania in the early 1930s and developed to remarkable prominence especially during the first decade of independence 1960 ICA (2001). Since independence Tanzania has practiced different development models. In order to reduce the high level of poverty and income inequality among Tanzanians a significance number of savings and credit cooperative societies (SACCOS) were formed in different part of Tanzania by the end of 1960s, ICA (2001). SACCOS had become very instrumental in savings mobilizations in 1975, provision of micro loans to their respective members in both rural and urban areas.

In rural areas, they also worked as important organs in development of agriculture through provision of credit to farmers to purchase agriculture inputs. In this case their activities supplemented the activities of formal farmer's cooperative unions, Matogoro (2009), after adoption of the market economy in 1985 the government with donor partners realized the need of informal financial groups in the country as one way of reducing poverty among house olds, ICA (2001). This led to the formation of many savings and credit cooperatives societies (SACCOS) in Tanzania with the southern highlands zone of Tanzania.

Act in 1991 signaled the beginning of the reforms that the cooperative movement has been going through for more than a decade, Mwakajumulo (2011). These reforms were further enhanced by the formulation of a cooperative development policy in 1997 Mwakajumulo (2011). The revised policy takes into full account the Tanzania

development vision 2025 and the poverty reduction strategy paper, Matogoro (2009). The establishment of national cooperative bank that working in union with the expanding savings and credit cooperatives societies (SACCOS) will provide credit to cooperative at favorable rates and also help to keep finances mobilized by cooperators within the cooperative movement. Credit facilities and entrepreneurship skill was introduced as engine for the growth and centre of development of SACCOS and poverty eradication in the 2000s. Financial credit will make money capital available to the poor and the needy. Creat rural entrepreneurship classes empower the poor and help eliminate poverty.

SACCOS are savings and credit community organizations giving low risk loan opportunities and businesses access credit at low interest rate and to low income household (Chijoriga, 1997). Chijoriga and Cassimon (1999) defined SACCOS as one of the way which are recognized as a means of promoting small businesses. SACCOS are seen as playing a key role in providing financial services to people who otherwise would not be able to access them. The major focus is on mobilization of savings, provision of loans and financial banking services to their members at agreed interest rates, also the provision of financial and banking services to low income households, who for economic reasons cannot be covered by the activities of formal banks and financial institutions.

SACCOS performs three major functions in relations to its members and general economic development to the country. These functions are, collecting savings from its member, giving loan to its member's borrowers and giving financial and non financial advice to its members in order to facilitate SACCOS members utilize well

the micro loans they have borrowed. Varieties of loans offered to their members are productive, social and emergency loan. Traders SACCOS put higher emphasis to productive loans on generating profit rather than focusing their activities on social development services. Members are expected to use the loans for the intended activities such as trade, agriculture, small scale, manufacturing industries, services sectors e.g. saloon etc. Government is also expected to establish a conducive monetary policy, fiscal policy, trade investment policy etc which will facilitate better performance of SACCOS members micro projects financed by SACCOS loan.

The impact of the policies is still not working in favor of the grass roots of poor and community development. In spite of their strengths and potential, the performance of SACCOS in Tanzania has not been impressive especially for traders SACCOS. Traders SACCOS have been eroded by debt resulted from poor performance of loan repayment. The cause of poor loan repayment performance is because of the following reasons; Some of traders SACCOs still have loan interest rates which is difficult for their members to repay their repayments, traders SACCOS members they lack financial and business skills for; selection of the business which can provide profit, management skills and utilization of loans.

Members have been taking loans for social purpose such as health, family problem etc which did not generate direct income or investing in non profitable business. Chacha, C (2006) found that beneficiaries lack of knowledge in business management, the loan size, short loan repayment period and lending policies lead to poor repayment rate of SACCOS, also he recommended that borrowers should be having pre-loan and post loan training. Motogoro, N (2009) found that SACCOS

members and management did not acquire effective training before and after joining the institutions, training will equip them with relevance knowledge of management skills, entrepreneurial skills, business planning and proper use of loan. He found that SACCOS members were not given any pre-training before and after use of the loans as a result borrowers diverted their loans to non productive activities which lead to the failure to repay back their loans.

Poor performance of loan repayment causes many Traders SACCOS to have a lot of debts, as a result many traders SACCOS die and in other side difficult in the reduction of poverty in Tanzania. The argument is that for Traders SACCOS members to have high performance of loan repayment they should have better use of loans to realize the intended results and all these will be achieved if they have good financial knowledge on how to use the loans, trader SACCOS should have an agreed interest rate, and members should invest at intended business and management should have qualified management and monitoring skills.

1.2 Statement of the Problem

The success of any SACCOS requires both institution innovation that reduces the risks and cost of lending small amount of money and good accounting systems. The major focus of SACCOS is on mobilization of savings and provision of loans to their members at agreed interest rates Kaleshu (2006). The experience has shown that most of productive SACCOS such as traders savings and credit cooperative societies face the problem of non repayment of loan or delay in loan repayment to their members, which leads to SACCOS being eroded with debts (ACOSCA 2000).

ACOSCA (2000) found that, delinquency and default problems as observed among borrowers is caused by the following reasons: high interest rate, weak monitoring, poor appraisal and borrowers related causes such as ill, burden of other debts and family problem. ACOSCA (2000) found that most Tanzania SACCOS face problem of monitoring and managing the loan repayment from members due to lack of effective credit management measures. Olomola, (2000) found that, loan size and loan use imply that fungibility and covariant risks tend to undermine the impact of loan. Also poor loan monitoring and miss use of loan lead to poor repayment performance of loan. Amonoo, *et al.* (2003) found that there is evidence of a negative relationship between interest rate and loan repayment.

However some of the past studies have tried to find out the determinants of loan repayment performance like: high interest rate, weak monitoring and managing the loan, poor appraisal, borrowers related causes such as ill, burden of other debts, family problem and trying to suggest on how to overcome the problem of poor loan repayment, this study have tried to assess the loan delinquency and the factors that influencing non performing the repayment of SACCOS loan through assessing the suggested solutions for the determinants of non repayment of loan if are the one still causing the loan repayment problems to SACCOS nowadays, examining the level of loan repayment performance of traders SACCOS, assessing other factors causing non repayment of loan to SACCOS members besides from those mentioned and assessing the aspects used by SACCOS to force borrowers repaying the loan on time through focusing at the supervision of loan utilization and repayment of borrowers, effectiveness of loan utilization, usage of loans funds by borrowers, and time of

repayment period.

1.3 Research Objectives

1.3.1 General Research Objective

The general objective of this study was to assess the loan delinquency and the factors that influencing none performing the repayment of SACCOS loan.

1.3.2 Specific Objectives

- i. To examine the level of loan repayment performance of traders SACCOS.
- ii. To assess the factors causing non repayment of loan to traders SACCOS members.
- iii. To assess whether the aspect used by SACCOS to force borrowers repaying the loan on time is suitable
- iv. To assess whether the level of loan repayment performance of SACCOS have been affected by the factors that cause the loan repayment performance.

1.4 Research Questions

The research paper tackled the problems by addressing the following questions.

1.4 Specific Research Questions

- i. What is the level of loan repayment performance of traders SACCO's members?
- ii. Is there any factor causing non repayment of loan to traders SACCOS members?
- iii. Are the aspects used by SACCOS to force borrowers repaying the loan on time suitable?

- iv .Is the level of loan repayment performance of SACCOS have been affected by the factors that cause the loan repayment performance?

1.5 Significance of the Study

The outcomes of the study highlight the loan delinquency and the factor influencing non performing the repayment of SACCOS loan. The study laid down the level of loan repayment performance of traders SACCOS, the factors causing non repayment of loan to traders SACCOS members and the aspect used by SACCOS to force borrowers repaying the loan on time. The findings expect to add knowledge to SACCOS members and leaders on the good systems of loan supervision, intended usage of loan funds, effective loan utilization, and reasonable loan repayment time. Better usage of loan and effective loan utilization which will provide high profit with effective loan repayment performance. The study will be a basis of reference for further research and a partial fulfillment of a master degree in Business Administration.

1.6 Organization of the Report

The remaining part of the report is organized as follows; chapter two provides some key concept, definitions and reviews i.e. previous studies on the subject both theoretical and empirical. It also presents conceptual framework of the study and theoretical framework. Chapters three describe the methodology.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Overview

This chapter is specifically for literature review. The researcher discusses both theoretical review which deals with theories, conceptual literature review which deals with the concepts related to the problem and empirical literature review deal with findings done by other researchers related to the problem.

2.2 Conceptual Definitions

2.2.1 Definition of SACCOS

According to Muzinduki, (2008) define SACCOS as proposed by SACCOS Act 2008 as an acronym for savings and credit co-operable society. This is a cooperative financial organization owned, used and controlled by its members, according to democratic principles for the purpose of encouraging savings, using pooled funds to make loans to members at reasonable rates of interest and providing related financial services to enable members to improve their economic and social condition. This is autonomous association of persons united voluntarily to meet their common economic and social needs through a jointly owned and democratically controlled enterprise or business.

SACCOS is a member owned financial co- operative whose primary objective is to mobilize savings and afford member access to loans on competitive terms as a way of enhancing their social – economic well being. It is an organization owned by people living in one area such as farmers or people working together or having business at one area. However the strength of effective loan repayment of SACCOS

members could easily be implemented to the SACCOS if SACCOS members have an effective loan utilization and management to have good loan supervision in terms of utilization and repayment systems in order to expand and compete in the financial market place which will enable them to achieve the intended profit for the repayment of their loan.

2.2.2 Loan Delinquency

According to Friends consulted LTD (2012), delinquency means failure to repay an obligation when due or as agreed in consumer installment loans, missing two successive payments will normally make the account delinquent, a delay of 16 to 30 days is generally allowed before declaring delinquency. Something delinquent is that which is outside the normal behavior.

Loan delinquency means a loan that 30 to 60 days due with no payment being made. Friends consulted LTD (2012) found that loan delinquency is a situation where a loan has not been paid as per the repayment schedule i.e. has not been paid on the due and time by the borrowers. Delinquency occurs when a client fails to repay a loan installment according to the agreed repayment schedule. When a loan is advanced a repayment schedule is worked out and agreed upon by both the lender and the borrower. Once a situation arises where payment becomes past due, the loan is said to be turning delinquent. The borrowers who have not been able to fulfill the repayment terms are termed as delinquent borrowers. To link with the study many SACCOS members had poor loan repayment performance or the loan that 30 to 60 days due with no payment being made or late for a payment on a loan.

2.2.3 Loan Repayment Performance

Arene (1992) outline the main factors that determine loan repayment performance as loan size, enterprise size, income, age, number of years of business experience, distance between home and source of loan, education, house old size, adoption of innovations and credit need. Von, (1980) identified two problems as major causes of poor loan recovery performance: credit design project problem and credit project implementation problems. Credit project design problems include debt versus equity, realism versus aspiration (how realistic the projection of the project designer is), expected value versus dispersion (detailed consideration of the variety of result which occurs in the field), book keeping convenience versus borrower cash flow patterns, collection mechanism, institutional scope or range of services offered and interest rate. Credit project implementation problems include low service levels, coordination, access (i.e. information problem and lack of decision making experience in lending to specific target groups) and financial recording.

The finding above revealed that the probability to loan repayment depends on the borrowers' specific characteristics (age, education, experience, sex, household size, loan utilization), loan contract terms (i.e. repayment installment, collateral, frequency of maturity, grace period, loan volume, interest rate, number of disbursement) and other factors such as technical advice, level of social cohesion (for micro enterprises)

2.2.4 Traders SACCOS

According to the Hawkins, (1978) traders means people who exchange goods for money or other goods. Traders SACCOS are the SACCOS whose members engage in the exchanging goods for money and most of these SACCOS are found within the

trading areas.

2.2.5 Interest Rates

According to Hoff and Stiglitz, (1990), interest rates can be defined as the premium received by the lender after a stated period of time from the borrowers' point of view, it is the cost of capital at time of obtaining the loan. If the interest rate is high can result to loan repayment to become high. The addition of money from interest rate make the amount of loan needed to be repaid to be big for the borrower to repay. As a result he can use a long period of time to finish the installment and even sometime he cannot be able to finish but reasonable interest rate make the borrower be able to recover his installment on time given that the amount required is reasonable. Therefore it is better for an organization to have an interest rate for the loan which is reasonable and affordable to borrowers so that it can reduce the failure of loan repayment.

2.2.6 Financial Knowledge

Von, (1980) define financial knowledge is the knowledge that could be legitimately acquired and utilized by separate, unrelated individual. The financial knowledge is the knowledge that increases skills and cognitive behavior. It transforms financial investment into social desirable activity. Social desirability of financial investment with cognitive instruments provides the individual for the ground of the expansion of the investment and financial decision making. Good financial knowledge to borrowers easy for them to utilize the loan given so that to get high profit to repay for their loan and even use for family matters.

2.3 Theoretical Review

2.3.1 Loan Utilization Theory

The theory states that monitoring of loan utilization helps members to take their businesses seriously and to avoid destroying the business by taking money from the business for their families, Simanowitz (2000:129). This means: monitoring of loan utilization avoid unplanned usage of loan. The monitoring also gives an early warning of problems which can then be dealt with. The traditional microcredit throughout the world have faced loan diversion as a result of borrowers using their loan not for the purpose given on the loan application form or prescribed by the project, but for another more pressing purposes. Often loans are diverted for providential or non productive purposes to meet emergence medical educational expense or any other. This study was guided by this theory because it will give clear explanation to traders SACCOS members to take their businesses seriously and use loan for intended purposes.

2.3.2 Minimizing Ex-ante Moral Hazard Theory

Minimizing ex ante moral hazard theory states that, borrowers often have private information of the amount of effort they exert in making their projects succeed or in the specific projects they undertake using the borrowed funds Guttman, (2006). Borrowers for example may have a number of alternative projects in which the borrowed funds can be invested. Higher yielding projects may require extra costs and efforts that can be saved by using funds for lower yielding projects or even using the funds for meeting family obligations. Given that legal means for enforcing repayment and individual collateral are generally lacking in the relevant context,

borrowers can profitably shirk by choosing low cost, low yield, low effort projects, using loan for unintended purpose and then claiming that the projects failed, making repayment impossible. Therefore it is important for the SACCOS member borrowers to understand this knowledge in which it will help them in selection of the project to invest which will be having higher yield than others. This study was guided by this theory because it will give SACCOS members borrowers clear procedures to follow so as to choose the profitable business hence improve the performance of loan repayment .

2.3.3. Loan Portfolio Theory

Loan portfolio theory states that traditional objectives of maximizing returns for given levels of risk or minimizing risk for given levels of return have guided effort to achieve effective diversification of port folios, Markowitz (1959). Since the pioneering work of Markowitz (1959), portfolio theory has been applied to common stocks. Elton and Gruber (2005) port folio theory is concerned with risk reduction when an investor switches from complete commitment on one asset for example shares in one company or one project to the, position when resources are split between two or more assets (baisi, 2008).

This theory is applicable to SACCOS in diversifying its risks against the financial assets of the cooperation. Investors can select the optimum risk – return trade for themselves depending on the extend of personal risk aversion Baisi, (2008) This study was guided by this theory because the theory show part of financial knowledge needed by SACCOS members to understand how to diversify its risks in order to get profit.

2.3.4 Liquidity Risk Theory

Liquidity theory states that risk arises when a project is not able to generate sufficient resources to meet its liabilities or if an entity cannot meet payment when they fall due, Merna and Njiru (2002). Difficult for the borrowers to payment for the loan if the business is not providing enough profit for payment. Borrowing at low profit generation rate or selling assets at below market prices, facing penalty payments under contractual terms. It is better to choose the project which generates sufficient profit so as to enable borrowers to repay their loan. This study was guided by this theory because the theory enable SACCOS members to choose the project which generate sufficient profit and free from risk or to understand how to diversify its risks in order to get profit.

2.3.5 Fraud Risk Theory

Fraud risk theory states that the primary sources of fraud in microcredit operations include phantom loan, kickback schemes, bribes and non reporting of client repayments. Merna and Njiru (2002) Such unethical behavior is not effectively directed by audits of paper traits as the loan officer alone is responsible for generating and following through on loan disbursement and recovery. Traditional audit procedures are ill equipped to detect this type of fraud because they do not usually involve extensive client visits. This study was guided by this theory because the theory enables SACCOS management to have business audits several times to detect members not repaying their loan.

2.3.6 Loan Portfolio Testing Process Theory

Loan portfolio testing process theory describes the effective credit policies by listing

the elements of a credit policy which are as follows:

Effective control credit policies

Elements of a credit policy

- i. Members Qualifications-independent in business activity, have no criminal records.
- ii. Repayment capacity-type of activity being financed
- iii. Size of loan and repayments-based on business, collateral, previous loan.
- iv. Interest fee structure
- iv. Action on delinquent loans including refinancing or rescheduling Claim Africa (2003).

Simanowitz A. (2000), the theory explain the requirements for the borrowers of loan which is supposed to have so that to be given the loan, such as to meet members qualification , should have repayment capacity, the loan size should be based on the business collateral and previous loan, Interest rate, structure of fee and the action on delinquent loan. This study was guided by this theory because it enable researcher to understand the qualifications and conditions of be given a loan to SACCOS members.

2.3.7 The Causes of Delinquency to Traders SACCOS Members

Friends consult LTD (2012) have found several factors which can lead to poor loan repayment performance to SACCOS which are as follows:

- i. Failure of the board of directors to establish a proper loan policy.
- ii. Poor loan tracking policy.

- iii. Lack of effective delinquency control.
- iv. Poor organizational policy and strategy for example loan term frequency.
- v. Non supervision of borrowers.
- vi. Diversion of loan funds by borrowers.
- vii. Noneffective loan utilization
- viii. Short time of loan repayment schedule
- ix. Poor loan appraisal

2.3.5 Lending Conditions

According to the co- operative society's act 2003 lending conditions on which loans may be made to SACCO'S members includes.

- i. The payment of interest rates on loans, shares and deposits shall be fixed by the general meeting of the SACCOS.
- ii. The maximum period which can be granted for the repayment of a loan
- iii. The maximum amount of money, which may be lent to a member
- iv. The purpose of loans
- v. secure for loan payment
- vi. The consequences of default in payment of any sum due on account of for the purpose for which it was granter

2.4 Empirical Literature Review

2.4.1 General Studies on Loan Delinquency and Performance of Repayment to Traders SACCOS

Stephen L.M (2011) found that, an effective training in financial knowledge will result to good performance of trade which provides maximum profit to SACCOS

members. Members of SACCOS are expected to use the borrowed funds for the intended projects. Since in traders SACCOS members borrow SACCOS funds to finance their respective micro investments, but instead a few members had no problem in repaying the loan they have taken. Higher proportional of borrowers had problem in repaying loan. This is because some of the members had taken loan for social purpose which did not generate direct income or they invested their loan in non profitable activities also other causes of poor loan recovery are high interest rate, poor appraisal weak monitoring, late disbursement of loans and negative attitude towards loan.

Poor utilization of loan is another cause of poor repayment. This will make SACCOS members be able to repay their loans while leaving a significant amount of money from their projects for their personal use. Financial knowledge involve many interrelated areas such as obtaining funds, using funds, monitoring performance and analysis of the return risk trade off. Financial knowledge enables one to look at current and expected problems. Caplan (1999) on his past studies showed that business that lack financial knowledge lead to 50 percent chance of failure.

2.4.2 Studies in African Countries

Gesesse, W et al (2008) found that the knowledge and technical capacity of board members and management should be strengthened; participation of members should also be stronger. The studies which have been done in African countries like Ethiopia show that understanding financial knowledge will stimulate and enlighten borrowers understanding their responsibility to repay the loan, in accordance with

terms and conditions imposed at the time the loan was made. Many SACCOS fail to operate due to lack of financial knowledge, which is vital to business. Lack of training and management to board members lead to weak power of fighting against poor loan repayment.

More systematic approach is needed to better use access liquidity, deposit, mobilization could also be important. Training for SACCOS is from the cooperative agency and from their unions and some from Association of Ethiopia Microfinance Institutions (AEMFI). However technical skills in the regions have been frequently reported as low because of lack of training and systems for training. Repayment modalities include existence of loan recovery to monitor credit worthiness e.g. through rating and whether fees need to be paid to who miss an installment.

2.4.3 Empirical Studies in Tanzania

(ICA, 2001) In Tanzania the history of savings and credit co-operative societies SACCOS goes back to 1938. In 1961 after independence the support from the promotion of SACCOS come from the government, the Nordic countries and the world council of credit unions of the USA. In 1964 SCULT carried training for the member societies. But as the time goes on most of SACCOS face the problem of non repayment of loan which leads to the depletion of SACCO's loanable funds. Most Tanzania SACCOS face the problem of monitoring and managing the loan from members due to lack of effective credit management, (ACOSCA 2000). Mayenga, N.L (2005) found that SACCOS are shown to have major weakness in financial and in general management leadership. Leaders are little co-operative or leadership

education and virtually no financial management training.

Stephen L.M., (2011) found that vibrant, efficient and effective SACCOS members require new skills and knowledge to improve their performance on the jobs and business they perform to compete with their counterparts. Also most of Tanzanian SACCOS they have been affected with negative loan repayment performance because of high interest rate, SACCOS have no effective loan supervision, lack of education and training, lack of loan inspection, loan review, loan recovery strategy and sustainability of repayment period.

Matogoro (2009) found that SACCO members need to avoid misuse of loans and demonstrate willingness to repay loan, the SACCOS leaders to ensure proper screening of the borrowers and determination of suitable time to recover loan repayment. Mwakilema (2006) found that there is a need to provide training opportunities for people engaged in the informal sector to levels of competence in respect of technical, managerial and business skills. Training of entrepreneurs prior to financing is essential to improve on business practice such as record keeping on business transactions.

2.5 Research Gap Identified

The review of literature has shown that there are theoretical and empirical gaps. The direct link between the causes of poor loan repayment and the level of loan repayment performance has not been shown. Therefore there is a need to close the gap and this is exactly what this study aims at.

2.6 Conceptual Frame Work

The diagrammatic representation of conceptual framework shows how the variables are related. Nonsupervision of borrowers, diversions of loans funds by borrower and, uneffective loan utilization and short time of repayment are independent variable but delinquency in loan repayment performance is a dependent variable which depends on the occurrences of independent variable. This can be explained that if the loan funds taken by borrowers are not well supervised will end up to be used to unintended purposes or investing to low profit generation businesses and as the result no money for repayment will be.

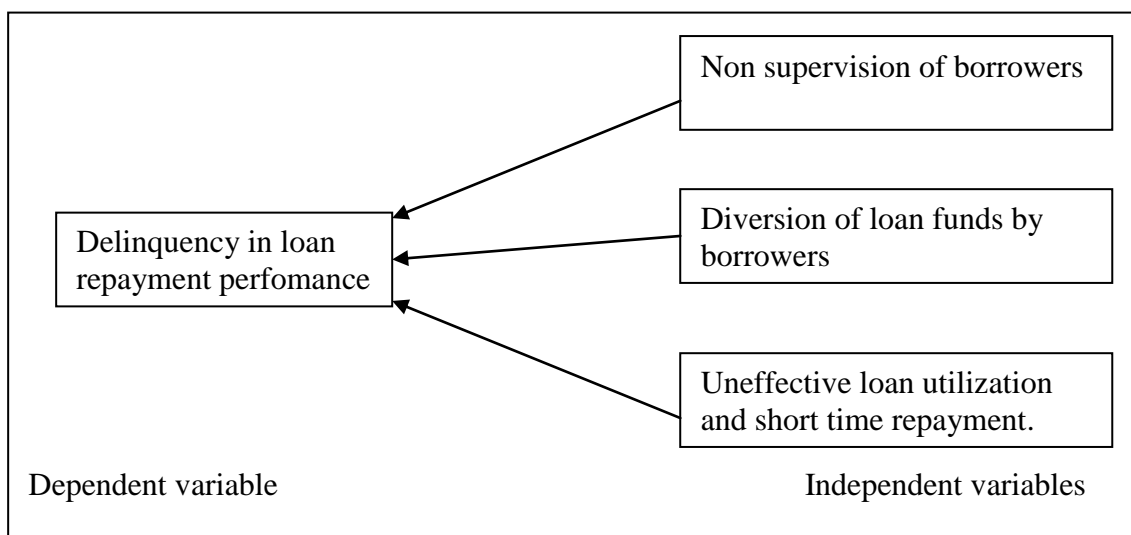


Figure 2.1: Conceptual Framework

Source: Constructed by researcher from literature review

Also if loan funds taken by borrower will be diverted from intended purpose such as family problems, borrowers will not be able to repay their loan because of lack of money. Uneffective loan utilization due to lack of financial knowledge of choosing

the most productive business which can yield high profit will result to failure of repayment of loan also short time of repayment which make borrowers failure to meet their repayment period deadline because of small profit which they receive from their businesses can make them difficult to meet the repayment deadline.

2.8 Theoretical Framework

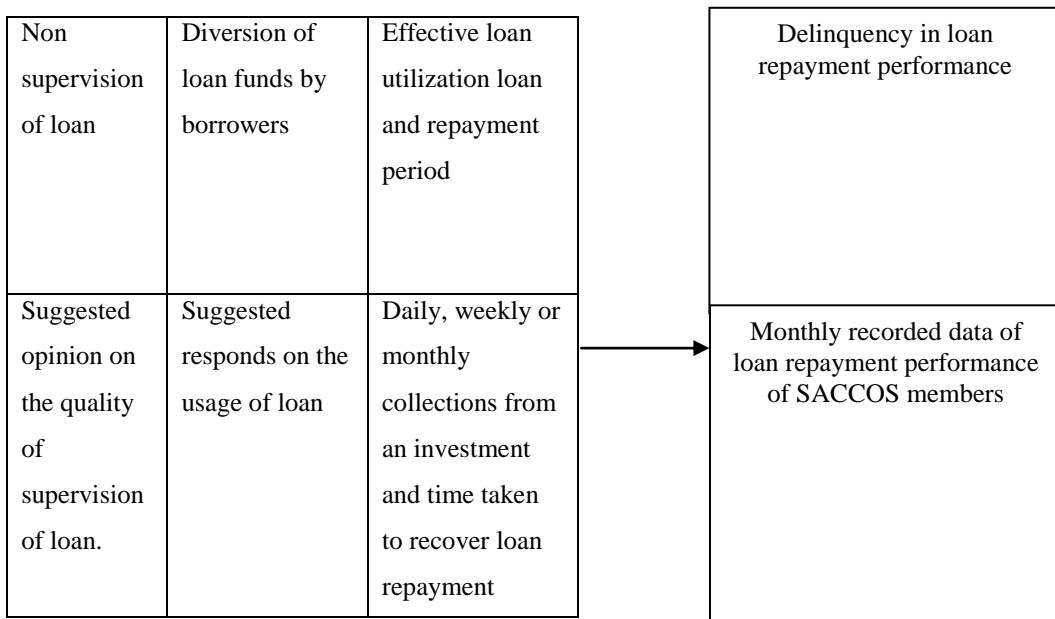


Figure 2.2: Theoretical Framework

Source: Constructed by researcher from literature review

Variables of this research will be delinquency in loan repayment performance as dependent variable and independent variables are non supervision of loan, diversion of loan funds by borrowers, non effective loan utilization and short time repayment period.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Overview

This chapter outline the methodology that researcher used in order to attain the objective of the study. It include research strategies, study population /area of the research, sampling design and procedures, variables and measurements procedures, method of data collection, data processing and analysis.

3.2 Research Design

According to Kothari (2000),research design is defined as conceptual structure within which research is conducted .A case study design is used by the researcher as general guideline for the study. The study adopted a case study method; purposive sampling method was used because it is efficient in collecting large amount of information within a short time. Also this research design did not permit manipulation of the variables.

Two traders SACCOS was selected from Ilala Municipal because most of the SACCOS found at Ilala Municipal are those found at working places and only few numbers are of business places that is why purposive sampling is used. Two different SACCOS were selected so as to ensure the accuracy of the information obtained also to ensure the good quality of information. Then by using simple random sampling 120 names of traders SACCOS members were drawn from two traders SACCOS. The simple random sampling was made objectively as possible taking into account traders SACCOS.

3.2.1 Area of the Study

Research was conducted at Ilala Municipal in Dar es Salaam Region due to the time frame as well as financial constraints. Since researcher live at Ilala such cost was minimized. Ilala Municipal have been selected because has a large numbers of SACCOS also because of evidence of the increasing number of loan borrowers. Hence easier for the researcher to get relevant and reliable data. Therefore the results from Ilala can be generalized to other areas at dare s salaam.

3.2.2 The Population Size

A population of registered traders SACCOS members in Ilala Municipal was identified in the study which were 21 traders SACCOS found at Ilala Municipal. The study population consisted of only a total of 2 traders SACCOS loan borrowers. In which populations of 120 respondents were targeted, this comprises four credit officers, two officers in each SACCOS. Six credit committee members, three credit committee members in each SACCOS were purposively selected and 110 SACCOS members, 55 SACCOS members in each SACCOS who had borrowed from the SACCOS were selected using randomly techniques. This includes both male and females SACCOS members and credit committee members and credit officers.

3.2.3 Sample and Sampling Techniques

Sample is a part of population which the researcher will study in order to make inference about the whole population (Kothari, 2000) Kothari (1988) define population as a total of item about which information is design .The study involved one hundred and twenty respondents which had been categorized as follow: Six

credit committee members, four credit officers in each SACCOS were purposively selected and 110 SACCOS members. A random sampling technique will be used in selecting the samples.

The study made use of simple random sampling because it is considered the simplest, most convenient and bias free selection method. It enabled every member of the population to have an equal and independent chance of being selected as respondent. The selection of two registered traders SACCOS was done randomly from the listed SACCOS. Also in totality 120 respondents were selected. Piece of paper was used to write names of all members found at two selected SACCOS and then randomly 120 names of traders SACCOS members were drawn from two traders SACCOS. A sample of 66 respondents was successfully interviewed or answering questionnaires. Whereby 60 were SACCOS borrowers members, 2 credit officers one in each SACCOS, 4 credit committee members two in each SACCOS.

3.2.4 Data Collection Techniques

In this study data collection methods were done through interviews, questionnaires and documentary sources. Two sets of data were employed for the empirical analysis, primary and secondary data.

3.2.4.1 Primary Data

The study used primary data simply because was fresh data collected for the first time, not processed and helped to come out with current information after processed. Kothari (2000), define primary data as data collected for the first time to be used in solving the specific problem under study.

The primary data were collected through field structured questionnaires administration and interview. Interview technique was used to interview the two SACCOS credit officers and four credit committee members. A set of questionnaire were administered to selected borrowers whose repayment period had matured. Through these questionnaires the researcher obtains the information from SACCOS members using closed and opened questions. Open ended questions were employed so as to impress respondents in expression their views and opinions on related matters while closed questions were used to demand respondents to select an answer from list provided under each question. Information collected through questionnaire include: borrowers characteristics such as level of education, loan utilization, implementation of the project, loan amount, loan repayment period, number of installments, loan size and loan collected

3.2.5.2 Secondary Data

Secondary data refer to publication in which author refers the work of others. Secondary data for the study were collected from various financial reports. (Kothari 2000)The researcher used this information simply to see how others concluded about the problem. The reports containing information regarding loans issuing criteria, loan repayment performance status, loan repayment period for each borrower's name, loan purpose and collateral requirement Also the document show the total loan applied by members and total loan issued to members.

3.2.5 Variables, Measurements and Procedures

Variables measured are as follows: Depended variable is Loan delinquency and factors that influencing non performing the repayment of SACCOS loan is measured

by taking monthly recorded data of loan repayment performance of SACCOS members, Independent variables are non supervision of loan, diversion of loan funds by borrowers, non effective loan utilization and short time of repayment period. Researcher measured the quality of supervision of loan within the SACCOS by comparing the number of the respondent who responded Yes had been supervised against who said No had not been supervised.

Diversion of loan funds by borrowers have been measured by comparing the number of the respondent who responded Yes they had been used loan for intended purpose against who said no they had not used loan for intended purpose. Effectiveness of loan utilization have been measured taking monthly profit obtain by members from an investment. Repayment period have been measured by comparing the response of the respondent who responded yes they feel that the repayment period set by SACCOS was suitable against who said not suitable.

3.2.6 Data Analysis

The raw data collected was classified and tabulated after ensuring that it was carefully checked for completeness and consistency of information. This was followed by analysis and interpretation of findings. The analysis was based on the questions administered and returned. Analysis was done using descriptive and presented in frequency tables, drawing statistical data using an excel. The method of analysis used is appropriate, valid and reliable to the data.

3.2.7 Validity of Data

The degree to which questionnaire was used where relevant to and representative of,

to the targeted variables. The data collected was able to measure what is supposed to be measured.

3.2.8 Reliability of Data

The data collected was consistence good in quality or performance because the degree of the consistence was able to test what was supposed to be tested.

CHAPTER FOUR

4.0 RESEARCH FINDING, ANALYSIS AND DISCUSSION

4.1 Introduction

The study was aimed at establishing loan delinquency and performance of repayment to traders SACCOS members. The study was at Ilala Municipal in Dar es Salaam Region. The literature reviewed showed that in most of the traders SACCOS there is delay in date of repayment of loan to their members or failure in repayment of loan because of different reasons like non supervision of loan, diversion of loan funds by borrowers, non effective loan utilization and short time of repayment period, The respondents were selected using simple random sampling in order to get the key informations. A total of sixty six respondents was interviewed. Tools used to obtain data from the respondents were interviews and the questionnaires which yielded the focus for the presentation in this chapter.

This chapter present the findings established through the data collected from the respondents. The respondents were persons who are traders SACCOS members.

4.2 Demographic Characteristics of the Respondents

It was important to find out from the respondents their gender and education levels. These specific characteristics would affect the participation in the traders SACCOS

4.2.1 Gender

All groups of respondents are members of Mchikichini and TADA traders SACCOS. A total of 66 traders SACCOS members responded have answered the questionnaire either through filling the questionnaire or interviewed. Fifty five percent of the

respondents were females and forty five were males. This indicates that more females respondent participated in the study than males. This is shown by the bigger percentage of 55 compared to 45 percentage of males. It is therefore implies that most of SACCOS members who do the businesses are females and it is so because in most cases nowadays woman have been motivated to employ themselves through businesses rather than becoming just a housewife. In other side men have been motivated to be employed and others employ themselves but they are not members of SACCOS that is why the percentage of males is small compared to the females

Table 4.1: Education Level of the Respondents

Name of SACOOS	Primary school		Secondary school		Ordinary diploma		Degree level	
	number	%	Number	%	number	%	number	%
Mchikichini SACCOS	40	66.7	0	0	0	0	0	0
TADA SACCOS	18	25	8	8.3	0	0	0	0
Total	53	91.7	13	8.3	0	0	0	0

Source: Data collected from the field, (2013)

Education level of the respondents range from primary education to secondary education. Most of the respondents has the education of primary school which is about 91.7% and the respondents with secondary education is 8.3% which is less than those respondents of primary education. No respondents having diploma level or degree level of education. The findings mean that people with primary school level of education use SACCOS loan facilities more than those who have higher level of education. Also means that the education level makes it difficult for them to

be employed due to lack of qualification, hence making them to join with SACCOS so as to receive loan for investment and getting their income. Other levels of ordinary diploma or degree show that have not join with the traders SACCOS means that they have other areas or SACCOS found within their working areas which provide them loan.

4.3 Training Before Receiving Loan

Respondent were asked if they had received any training before receiving the loan and if they thought the training had helped them increase their income The finding are in Table 4.2.

Table 4.2: Ways of Training Before Respondents Receiving Roans

Did you get any training?	Percentage
Yes	100
No	00
Total	100

Source: Data collected from the field

The finding show that 100 percent of the respondent they had received training before receiving the loans, while no one had not received any training before receiving loans. Means most of SACCOS try their level best to train their members before providing them loan even if the kinds of training differ.

4.4 Ways of Training Before Respondents Receiving Loans

Most of the respondents which are about 90% receive training through seminars and short courses, 10% receive training through handouts and bronchus and no respondent receive training though others. Means that most of training carried on

within the SACCOS to their members is through seminars and short courses, at very small percentage members they read handouts and bronchus found at their SACCOS but there is no any other means of training.

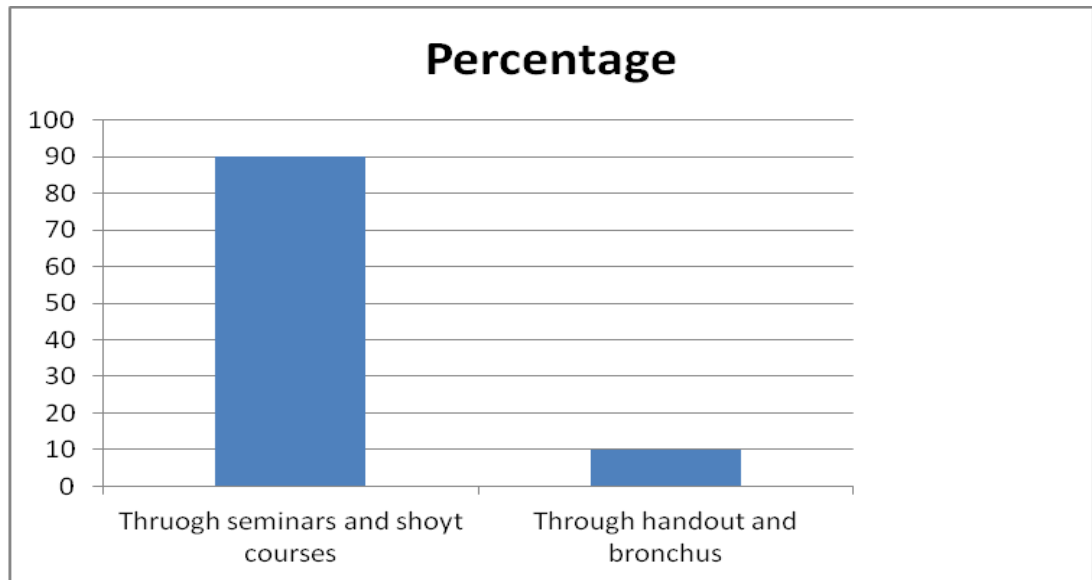


Figure 4.1: Ways of Training Before Respondents Receiving Loans

Source: data collected from the field

4.5 If Training Helped to Increase Income

Is the training has helped to increase income?	Percentage
Yes	87
No	13
Total	100

Source: data collected from the field

The finding show that 87 percent of the respondent reported that training helped increase their income, while 13 percent said that training before receiving the loan did not helped them. For those who said the training helped them to increase income means that the training enabled them to utilize their loan in such a way that

generated sufficient resources to meet its liability. As the theory of liquidity risk theory stated that the risk arises when a project is not able to generate sufficient resources to meet its liability or if entire cannot meet payment when they fall due. Those who training did not helped them it means that are those who are in the risk of failure to repay their loan because the training did not enabled them to utilize their loan as a result they are unable to repay their loan.

4.6 The Status of the Loan

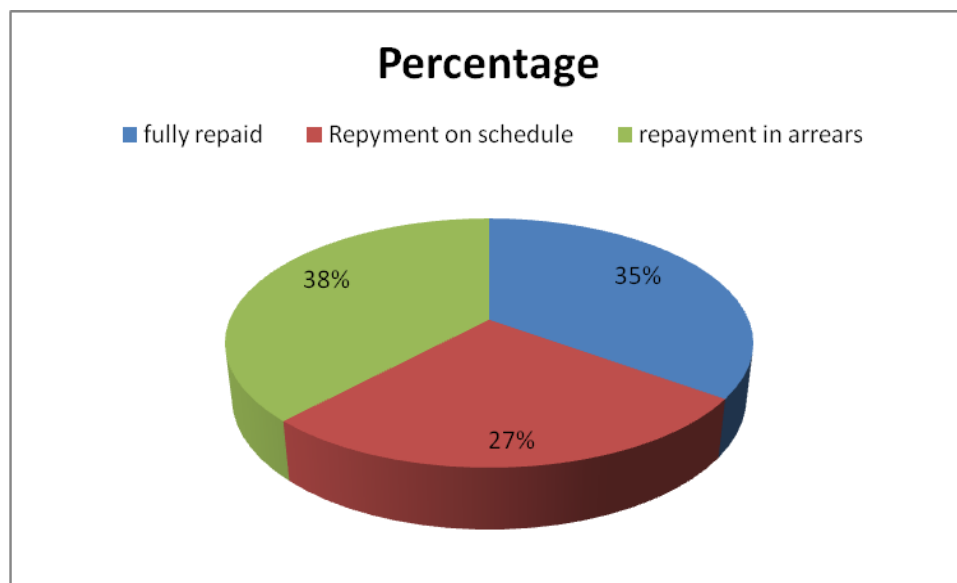


Figure 4.2: The Status of the Loan

Source: Data collected from the field

It was found that 35 percentages of borrowers had fully repaid their loans, 27 percentages had repayment on schedule, while 38 percentages had their repayments in arrears. The findings indicate that the majority of borrowers were in arrears as far as loan repayment was concerned. For those 35% who had fully repaid their loan means that either they took small amount of loan which could make them be able to

repay or they had good utilization of their loan which enabled them to receive good profit to pay for the loan.

4.7 The Reasons for the Loans to be in Arrears

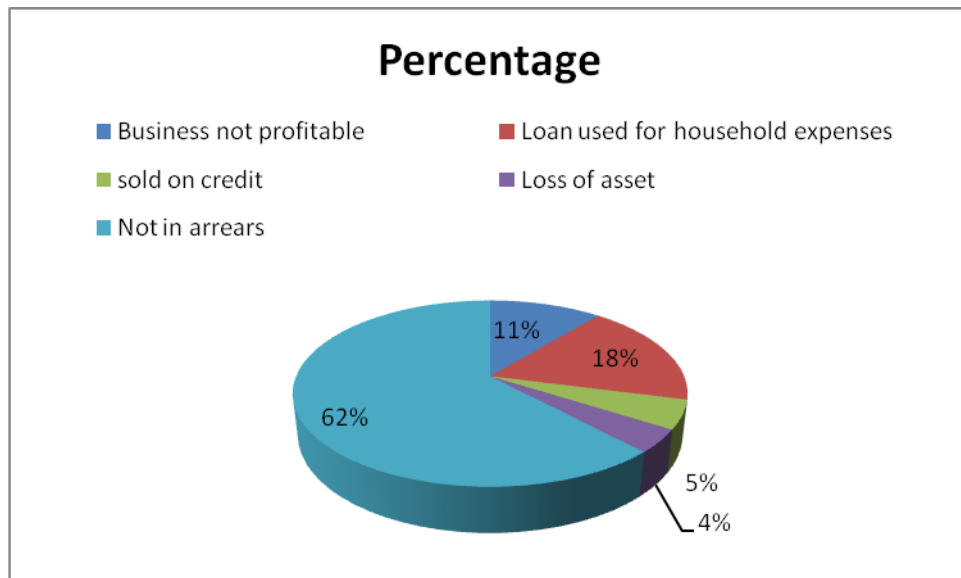


Figure 4.3: The Reasons for the Loans to be in Arrears

Source: Data collected from the field

The table above indicates 38% of the borrowers were in arrears, the reasons why their loan repayment was in arrears was because of the following reasons: 11% of the traders SACCOS members their business was not profitable, 18% of the traders SACCOS used loan for household expenses, 5% they sold on credit, 4% their loan is in arrears because of loss in asset while 62% they are not in arrears. Means 38% of the borrowers were in arrears because they are unable to repay their loan on schedule because of failure to utilize their loan intended. Only 62% they were not in arrears. Therefore the loan should be utilized effectively according to the intended purposes so that to enable borrowers to repay their loans

4.8 The Loan Repayment Periods of SACCOS

Mchikichini SACCOS		TADA SACCOS	
Amounts in TSHS	Period	Amounts in TSHS	Period
500,000 -900,000	6 months	500,000 -1,000,000	6 months
1,000,000-1,500,000	One year	1,500,000-4,000,00	9 month
1,500,000-5,000,000	12 months	5,000,000-10,000,000	One year
6,000,000-10,000,000	16 months	11,000,000-19,000,000	14 months
11,000,000-20,000,000	18 months	20,000,000-30,000,000	18 months

Source: Data collected from the field

According to the table the period taken to recover the loan by both SACCOS was too short compared to the amount of loan taken, especially for big amount of loan. The duration of repayment depend on the amount of the money borrowed. as small amounts had a short repayment period. As the amount borrowed increased the repayment period would be long. This is reflected on the interest rates charged and how the interest rates were calculated. Large amount borrowed lead to long repayment period and in this case interest was calculated annually. The amount borrowed from TADA faced the smallest interest charges and shortest repayment period compared to Mchikichini. This is why some of the members fail to finish repaying for their loan at the required time. Therefore the loan repayment period should be relevant to the amount of loan borrowed.

The findings show that 68% of the respondents feel that the repayment period set by SACCOS was not suitable, while 32% thought the period was adequate, of which they recommended the period should be long enough. Therefore the loan repayment period should be relevant to the amount of loan borrowed so that to give enough time

of repayment for those who their business profit per week is small. Also could help to provide enough days for collection of the profit.

4.9 The Suitability of Repayment Period

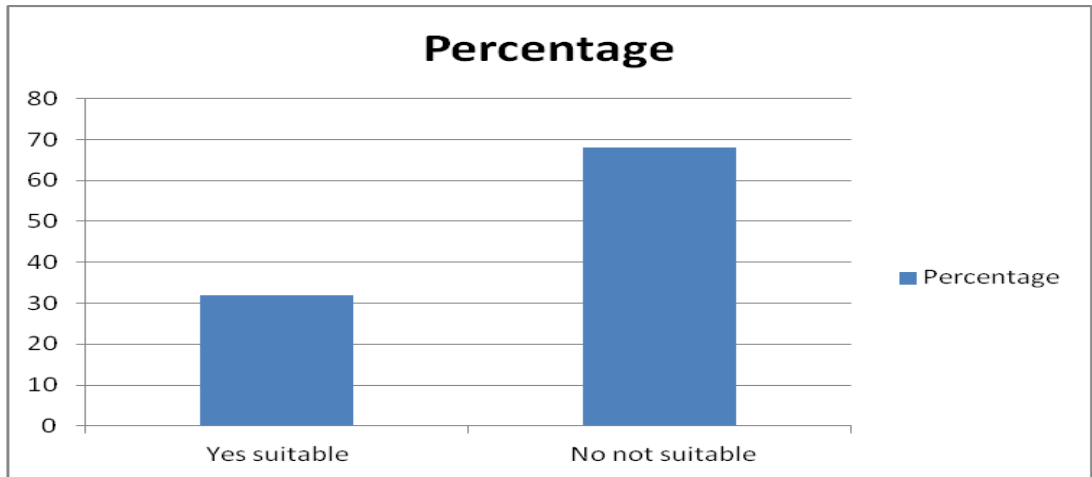


Figure 4.4: The suitability of Repayment Period

Source: data collected from the field

4.10 Aspect Forcing Borrowers to Repay Loan in Time

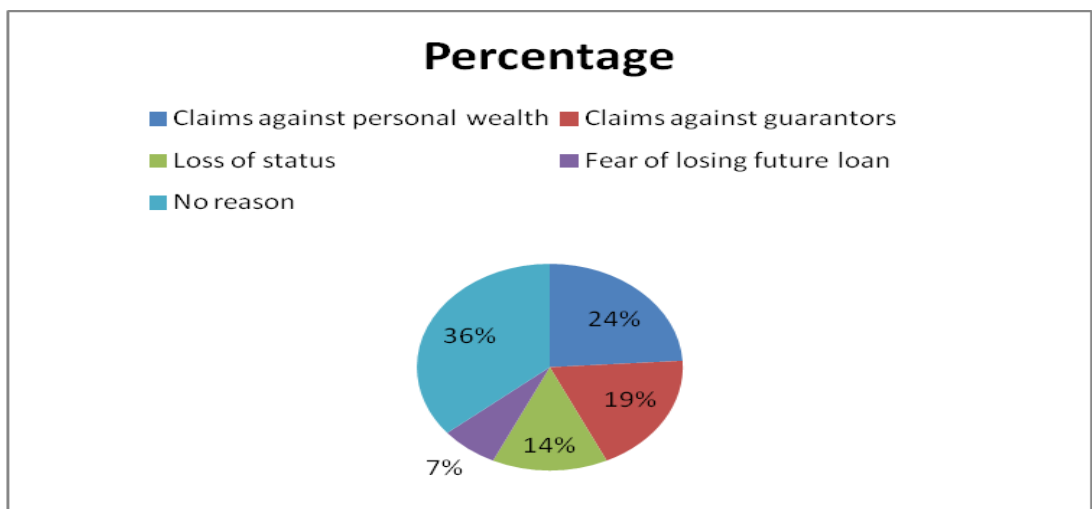


Figure 4.5: Aspect Forcing Borrowers to Repay Loan in Time

Source: Data collected from the field

From the findings 24% of the respondents said the most important aspect forcing them to repay the loan in time was the claim stated against their personal wealth, while 19% was due to claim stated against guarantors.14% were forced to repay because of social sanctions especially fear of loss of status and 7% were repaying on time because of fear of losing future loan from SACCOS.37% did not have any particular reason which is good as this can only be perceived to mean that the highest number of respondents felt the obligation to repay loans in time.

4.11 Supervision on Loan Utilization

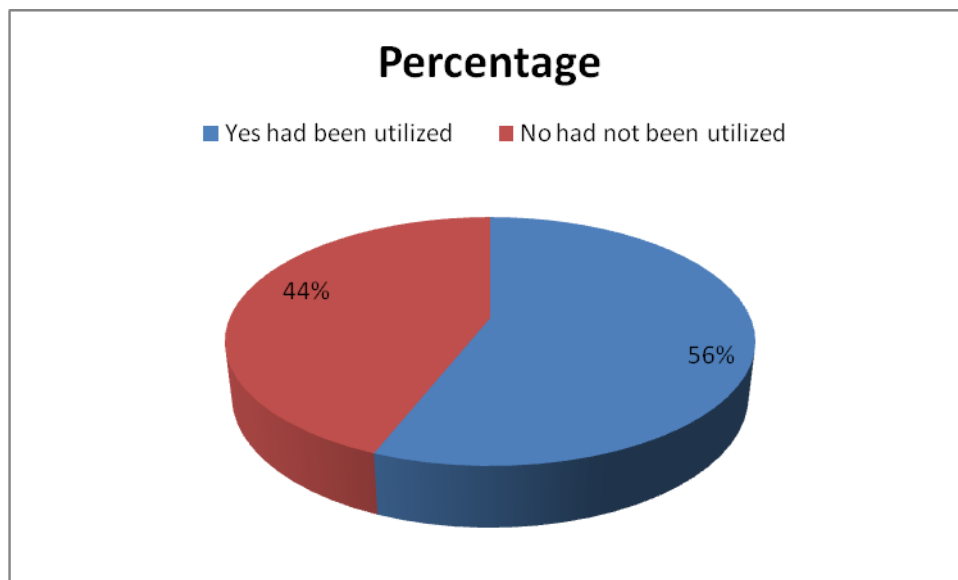


Figure 4.6: Supervision on Loan Utilization

Source: Data collected from the field

The findings indicate that 56% of borrowers had been supervised by SACCOS staff on loan utilization, while 44% had not been supervised. Non supervision of borrowers on loan utilization by SACCOS is a pointer that rates of delinquency could be high since no obligation pressure will be on the borrowers. According to the

theory of loan utilization which states that monitoring of loan utilization help members to take their businesses seriously and avoid destroying the business by taking money from the business for unintended purposes. Therefore if all SACCOS members could be supervised, those 44% of respondents who had not been supervised would not appear. Hence in order for all members to have good loan utilization, SACCOS staff should make sure that they supervise loan utilization of their members.

4.12 Supervision on Loan Repayment

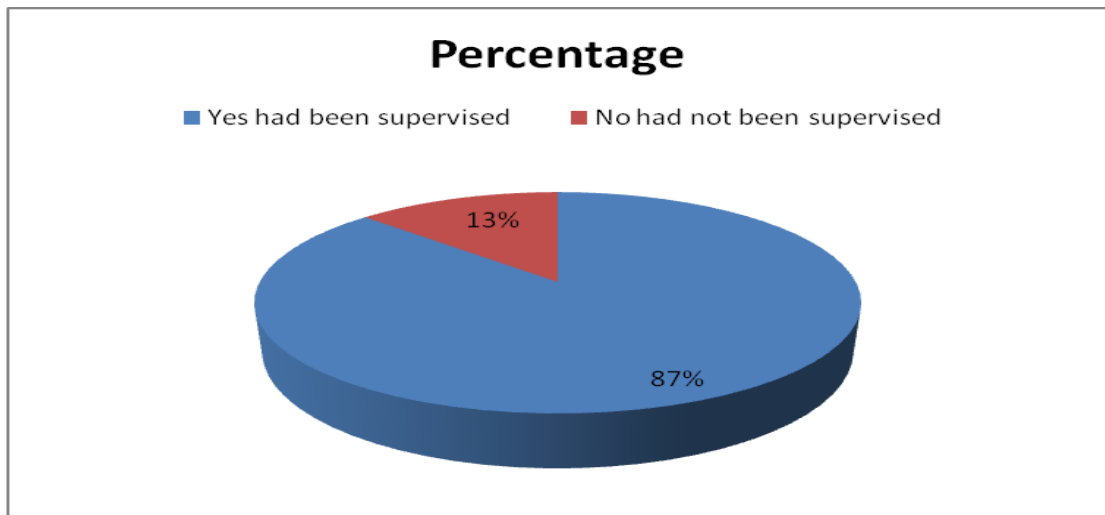


Figure 4.7: Supervision on Loan Repayment

Source: Data collected from the field

Supervision on loan repayment the finding show that,87% of the respondents indicated that they had been supervised by SACCOS staff on loan repayments, while some 13% of the respondents indicated that they had not been supervised on repayments. As the fraud risk theory states that the primary sources of fraud in microcredit operations include phantom loan, kickback schemes, bribes and non

reporting of client repayments. The findings show there is 13% of the respondents who had not supervised on loan repayment mean that there is a need of SACCOS staffs to put more efforts on supervision of loan repayment so as to have good repayment performance.

4.13 Level of Loan Repayment Performance to SACCOS Members

Year	Level Of Percentage In Performance Without Repayment Problem		Level Of Percentage In Performance With Repayment Problem		
	TADA	Mchikichini	TADA	Mchikichini	Total
2008	31.8	21	68.2	79	100
2009	36	19	64	81	100
2010	59	20	41	80	100
2011	38	18	62	82	100
2012	51	15	49	85	100

Source: Data Collected From The Field

The table indicates that there is problem of traders SACCOS members in loan repayment in all years and in both SACCOS. This was because of the following reasons as the findings indicated that: some of the members had taken loans and use for non intended purpose which did not generate direct income. Also the causes such as non supervision of loan, non effective loan utilization this is due to lack of business and financial knowledge leading to the loss of business which results to loan repayment problem. Also credit sales but not received payment in time, and short period of loan repayment.

The findings show that for both SACCOS the level of loan repayment was not good because of the following causes such as some members they fail to repay loan on time or failure to repay at all due to diversion of loan funds, non supervision of loan, non effective loan utilization and short time of repayment period. Poor level of loan repayment performance is performed because of inadequate loan utilization and supervised. Also be given reasonable repayment period. Based on the theory of loan portfolio testing process which describe the element of a credit policy as follows: In order for a corporation to have an effective control of credit it should have a qualified members who is independent in business activity, has repayment capacity type of activity being financed, affordable size of loan to be able to repay based on business and previous loan and the action to be taken on delinquent loans.

The findings show that poor or in educate level of loan repayment performances of Mchikichini and Tada traders SACCOS is caused by the factors that led to poor loan repayment performance such as un effective control of loan utilization and repayment performance, un qualified members who is not independent in business since they divert the loans funds or unable to utilize their loan. All these result to poor capacity or inability to repay the loan.

The findings also indicate the actions taken by SACCOS on delinquent loans was no sufficient since only 24% of the members said that they are forced to repay the loan because of the claim stated against their personal wealth and only 19% members because of the claim against guarantors. The loan size given is not consider the period of loan repayment, since 68% percent of the members responded that the loan

repayment period was not suitable for them to repay the loan on time.

Therefore poor level or inadequate level on loan repayment performance was because of the causes which led to the poor loan repayment performance such as diversion of loan funds by borrowers, non supervision of loan, non effective loan utilization and, short time of repayment period, High level of loan repayment performance could be achieved if the loan should be utilized and supervised accordingly. Also be given reasonable repayment period.

4.14 Interest Rate Charged by TADA and Mchikichini SACCOS

Interest rate charged by TADSACCOS is 2% and Mchikichini SACCOS is 3% which is moderate level for both SACCOS. Both SACCOS had one to two numbers of inspections, assessment and audits per month which is done by SACCOS leaders.

CHAPTER FIVE

5.0 FINDINGS AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the summary of findings and recommendations of the research study. The objective of the study is to find the factors that influencing loan delinquency and repayment of traders SACCOS through finding the level of loan repayment performance and factors that cause poor loan repayment performance of traders SACCOS members. Also the study has found the level of loan repayment performance resulted from the causes of poor loan repayment performance in traders SACCOS.

5.2 Findings

The main objective of this study was to assess the delinquency on loan repayment performance to SACCOS members.

The study sought to find answers to issues like the causes of poor loan repayment performance to traders SACCOS members, the level of performance in loan repayment of SACCOS. The result of interviews and filling the questionnaire show that 66 respondents have answered the questionnaire either through interviewing or filling the questionnaire, whereby 55% were females and 45% were males. The findings indicate that most of the traders SACCOS members about 91.7% have primary level of education but only few numbers about 8.3% have secondary level of education. Also SACCOS members receive business knowledge, but most of them receive financial and business knowledge through indoor seminars and short course which is about 90%, only few members receive through handouts and brochures.

Also about the training have found that, 87% of the respondent said that the training had helped them, while 13% said that had not helped them. The status of the loan repayment is as follows: 27% they repay loan on schedule, 38% repayment in arrears, while 35% they have fully repaid. The findings have found that level of loan repayment performance is not good due to the findings which have shown that from year 2008-2011, TADA SACCOS 255.2% of 400% of the members had loan repayment problem while only 164.8% of 400% had no repayment problem. Also 322% of 400% of Mchikichini SACCOS members had loan repayment problem and only 78% of 400% had no repayment problem.

This was because of the following reasons; most of the members had used loan for non intended purposes such as the loan is used for household expenses which did not generate income and this is about 18%, business was not profitable which is 11%, loss of asset which is 4%, 5% sold on credit and 62% used for intended purposes and not in arrears. The major factor having high percentage that influences loan delinquency and repayment performance include non profitable loan activity; this is due to lack of business and financial knowledge which lead to loss of business which results to loan repayment problem.

The suitability of loan repayment period is as follows: 68% said that they are not suitable, while 32% said that they are suitable Aspects forcing borrowers to repay loan in time have found that 64% said that the mechanism used in forcing them helped them to repayment the loan while 36% said that they paid loan without any force. The findings have found, the Supervision of loan utilization as follows 36% of

the borrowers said that they had been supervised, while 44% said that they had not been supervised. Also the findings found that on the supervision on loan repayment, 87% said that they had been supervised while 13% said that they had not been supervised. The findings have found the interest rate charged by both SACCOS is not too high compared to other organizations.

5.3 Conclusions

Generally the evidence from the findings revealed that loan repayment performance of borrowers was low since the amount of loan collected per repayment was not good enough. The findings indicated that mechanism used by SACCOS to collect loan was weak since it failed to collect loan. Supervision of loan utilization and repayment was not effective since members used loan for non intended purposes. Also the duration for repayment period was not enough since SACCOS members complain about the time.

5.4 Recommendations

5.4.1 General Recommendations

The paper has revisited the theoretical and empirical literature and also according to the results which we have got from the field on the causes that influencing loan delinquency and repayment performance of traders SACCOS. The paper has found that there is problem in loan repayment of traders SACCOS. Also has found the factors that cause loan repayment problem of traders SACCOS such as usage of loan for non intended purposes and non profitable businesses, lack of effective loan utilization, short period of loan repayment, non effective loan utilization and

repayment.

With regard to those factors that cause poor loan repayment performance, the loan delinquency and default is the reflection of the weak impact of loan monitoring. For the loan monitoring to be effective there should be a sustained system of incentives to motivate the staff concerned. A reward system can also be worked out for the SACCOS leaders such that monitoring and recovery activities are linked with actual repayment rates achieved.

SACCOS members need to avoid misuse of loan and demonstrate willingness to repay loan. Also SACCOS leaders should ensure proper screening of the borrowers, management should structure an effective loan management systems such as the determination of suitable loan size and usage as well as schedule of loan repayment.

Besides there is other factor which is responsible for the inability of borrowers to fulfill their repayment obligation this is include non profitable business this constraint need to be relaxed through finding an appropriate business which will provide a profit.

Also there should be more training which aims to introduce new skills to people in more successful way and if it is done on a practical session, with activities which participants can try for themselves. Trainer can be invited from outside to teach anew skill and it should be clear to him/her that members must participate actively in the training and try out the skills themselves rather than just listening. Any skills training will have successful results if the training is wanted and demanded by the

member him selves. Loan repayment should be ensured through counseling, threaten and even using other third part to collect their properties.

Therefore traders SACCOS could have effective loan repayment performance if there should be effective loan utilization, reasonable period of loan repayment, effective monitoring and management of loan and SACCOS could continue to have reasonable interest rate charged to the loan.

5.4.2 Specific Recommendations

Based on the findings drawn in the study the researcher recommends as follows: The result of this study show that inadequate supervision of borrowers by the SACCOS staff on loan utilization and loan repayment lead to the delinquency on repayments. Supervision is an important aspect because it makes borrowers to be committed. Therefore there is a need to develop effective loan repayment system, SACCOS committee members and staffs are recommended to visits borrowers business premises and verify borrowers assets.SACCOS need to have effective supervision of borrowers on loan utilization and repayment which should be done frequently.Such supervision will enable the SAACOS monitor the performance of borrowers closely done.

On training of borrowers before receiving loan from SACCOS it was recommended that since training is important in giving borrowers skills in business management, savings and book keeping, SACCOS should offer more training on proper loan utilization, business management skills, book keeping and savings to members so as

to enable them to manage their loans and business profitability and thus be able to repay their loan on time and bring down the rate of loan delinquency.

The diversion of loan funds by borrowers, it recommended that in order for SACCOS to reduce the rate of loan delinquency and poor repayment performance, SACCOS committee should monitor the borrowers regularly so as to ensure that they use the loans they received for the agreed and intended .This can be done through checking the accounts statement regularly from borrowers as well as physical visiting of borrowers businesses to monitor and evaluate the progress of their loan.

The government also needs to allocate sufficient financial and human resources to the cooperative department in order to facilitate training and capacity building to SACCOS so as to improve loan recovery. Also the government should make sure that legal framework and court practices be revised to help reducing the SACCOS loan default causes. Regulatory framework should be able to take legal action including taking the personal properties of SACCOS resources for their personal benefits.

5.3.5 Recommendation for Further Research

The researcher recommended areas for further research on loan delinquency of SACCOS as follows: An investigation is needed on training provided by SACCOS to understand the quality of the training provided by those organizations to their members before taking the loan if it is relevant to the need of SACCOS so as to maximize the performance of repayment. Also more research should be conducted

on the relevant time for repayment of loan so as to reduce failure of repayment.
Investigation should be done on the effectiveness of utilization of resources so as to
increase the profit received by members.

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APPENDICES

Appendix I: Questionnaire for SACCO's members

Tafadhali jaza sehemu zilizo wazi au weka alama ya vema kwenye visanduku kwa jibu lililo sahihi.

Hoja kwa mwanachama wa Chama cha Ushirika na mikopo (SACCOS)

Jinsia yako: Mwanaume ()

Mwanamke ()

Jina la SACCOS.....

1. Kiwango cha Elimu uliyofikia.

i.. Shule ya Msingi ()

ii. Shule ya Sekondari ()

iii. Elimu ya Diploma ()

iv. Chuo Kikuu ()

2. Umewahi kupata Elimu ya mambo ya fedha na biashara

i. Ndio ()

ii. Hapana ()

3. Kama jibu la swali la 2 hapo ni ndio ulipata elimu hiyo kupitia.

i. Kuhudhuria kozi zu semina ()

ii. Vipeperushi na vijarida ()

iii. Kaunta za mapokezi katika benki ()

iv. Nyinginezo, fafana.....

4. Iwapo jibu la swali la 3 hapo juu ni kuhudhuria kozi na semina, je ni mdau gani aliyeendesha mafunzo hayo?

i. Benki iliyokupa mkopo ()

- ii. Benki nyingine ()
- iii. NGO'S ()
- iv. Serikali ()
- v. Nyinginezo ()

5. Ni mara ngapi umewahi kuhudhuria semina hizo?.....

6. Kwa jinsi gani elimu uliyoipata imeweza

kukunufaisha?.....

.....

7. Je, malengo ya matumizi ya huo mkopo ya biashara yanaendana na matumizi

halisi?

Ndiyo ()

Hapana ()

8. Kama hapana umezitumiaje fedha za mkopo ulizozipata katika SACCOS

yako?

.....

9. Umemaliza kulipia mkopo na riba yake toka SACCOS kwa wakati ?

Ndio ()

Hapana ()

10. Iwapo jibu la 8 ni ndio, ni biashara ipi ilitumika kulipia mkopo huo na riba

yake?

.....

11. Iwapo jibu la swali la 8 ni hapana ni kwa nini haujalipa mkopo na riba yake?

.....

12. Kuna sababu yeyote iliyokufanya usilipe mkopo na riba kwa wakati? Ni ipi hiyo?

.....

13 Je unaulipaje huo mkopo wako?.....

.....

14. Je umeridhika kwa kiasi gani na muda wa marejesho uliopewa?

i. Nimeridhika sana ()

ii. Nimeridhika kiasi ()

iii. Sijaridhika ()

15. Ni nini mapendekezo yako kuhusu muda huo?

.....

16. Unasemaje kuhusu usimamizi wa matumizi ya mkopo uliopewa?

i. Usimamizi unaridhisha ()

ii. Usimamizi hauridhishi ()

17. Unasemeje kuhusu ubora wa usimamizi wa marejesho ya mkopo?

i. Usimamizi unaridhisha ()

ii. usimamizi hauridhishi ()

Appendix ii: Questionnaire Number Two for SACCOS Leaders

Please fill the blank or tick the correct answer in the boxes where multiple answers are appropriate

Name of SACCOS

1. What is the level of loan repayment performance in your SACCOS?

Good level ()

Average level ()

Worse level ()

2. If yes what are the causes of poor loan repayment performance to your SACCOS members?

.....
.....

3. Which mechanism used by your SACCOS to assist in loan repayment?

.....
.....
.....

4. Is there any effectiveness of mechanism used by your SACCOS to assist in loan repayment?

i. Not effectively ()

ii. Effectively ()

iii. More effectively ()

6. How do you provide training to your members?

i. Through Seminars and short courses ()

ii. Hand outs and brochures ()

iii. Any other (Specifies) ()

8. How many number of inspections, assessment and audits done by SACCO leader per month?.....

9. What is the interest rate paid per loan by yourSACCOS?.....

10. What is the rank of the period taken to finish loan repayment by your SACCOS members?.....

.....

11.How is the loan be paid

12.Do you think that loan repayment period is suitable?

i. Yes ()

ii. No ()

13. If not what is the reason?.....

14. If yes what is the reason?.....

15. What aspect used to forcing borrowers to repay loan in time?

.....

16.Do you think that supervision on loan utilization and repayment are effective

i.Yes effective ()

ii.Not effective ()

17. Why?.....

.....

.....

Appendices iii: Research Activities or Schedule

This research is expected to use twenty weeks from February to June 2012 Activities expected to take place as follows.

1. Work Plan

Table 1. 1: Gantt Chart

MONTHS (2012)	FEB				MARCH				APRIL				MAY				JUNE			
	W 1	W 2	W 3	W 4	W 1	W 2	W 3	W 4	W 1	W 2	W 3	W 4	W 1	W 2	W 3	W 4	W 1	W 2	W 3	W 4
Introduction part of research methodolog y Synopsis	■																			
Literature review	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Proposal preparation		■	■	■	■	■	■													
Proposal submission																				
Distribution of questionna ires and data collection								■	■	■	■	■	■	■	■					
Data analysis																■	■			
Data completion																		■	■	
Reviewing draft report																			■	■
Preparation and submission of report																				■

Sources: Researcher (2012)

Appendices iv: Estimated Research Budget

Descriptions	Quantity	@	Sub total	Total
1. Equipments				
- Laptop (notebook)	1	800,000	800,000	
- Flash disk	1	50,000	50,000	
- Antivirus	1	50,000	50,000	900,000
2. Stationeries				
- Reams of paper	5	12,000	60,000	
- Writing pads (spiral)	3	2,500	7,500	
- Box file	1	5,000	5,000	
- Ball pen	5	500	2,500	
- Pencils and accessories	3	500	1,500	
- Research methodology book (Kothari)	1	35,000	35,000	111,500
3. Literature review				
- Photocopying cost(proposal and report)	1	100,000	100,000	
- Internet cost	5	30,000	150,000	
- Printing cost	1	200,000	200,000	450,000
4. Data collection and analysis				
- Printing and photocopying questionnaire	1	60,000	60,000	
- Data collection costs	1	250,000	250,000	
- Telephone communications	5	20,000	20,000	
- Research trips in Dar - es - salaam	1	50,000	50,000	380,000
5. Final report writing and handover binding				
- Printing and binding final report	1	200,000	200,000	
- Transport and allowances	1	60,000	60,000	260,000
		Sub total		2,101,500
		Contingent (10%)		210,150
Total estimated research costs				2,311,650

Source: Researcher (2012)

2. The expected time of completing the study is June 2012.

3. Signatures:

Student.....

Date.....

4. Comments of the supervisor

.....
.....
.....

5. Signatures:

Supervisor.....

Date.....

7. Research Budget

SNO.	ITEM	PRICE (TSHS)
1.	Stationeries	90,000/=
2.	Travelling expenses	600,000/=
3.	Typing and printing	300,000/=
4.	Research assistance	200,000/=
5.	Meals	100,000/=
6.	Communication with supervisor	80,000/=
7.	Binding	10,000/=
8.	Rocket proposal	