FACTORS DETERMINING LOAN REPAYMENT IN TANZANIA: A CASE OF CRDB BANK, MERU BRANCH, ARUSHA

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A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION IN LEADERSHIP AND GOVERNANCE OF THE OPEN UNIVERSITY OF TANZANIA

2019

CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania a dissertation titled: ***Factors Determining Loan Repayment in Tanzania: A Case of CRDB Bank, Meru Branch, Arusha"*** in partial fulfillment of the requirements for degree of Master of Business Administration in Leadership and Governance of the Open University of Tanzania.

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Date

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DECLARATION

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

……………………………………..

Signature

……………………………………..

Date

DEDICATION

I dedicate this entire study to my gorgeous parents Mr. and Mrs. Asheri Kyando for their charity love and cares in my life. It is also dedicated to my wife Annoyntine Patrick and our sons Emmanuel and Samuel for their tireless support, encouragement and tolerance during my studies.

ACKNOWLEDGEMENT

This study would have not been a success without priceless efforts from several individuals and institutions. This being the case, I feel obligated to all sources from which I have drawn information to make this study materialize.

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I also extend special recognitions to my beloved family for their endless encouragement that assisted me to finish this work. Exceptional thanks to my father Mr. Asheri Kyando and my lovely mother Okuli Ligate for their nurture and tireless support during my school life and always. This goes in hand with recognising the support given to me by my beloved brothers; Steven, James and Japhet and my beloved sister Agnes.

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ABSTRACT

Many banks have faced with Non-performing loan that lead to the greatest risk to the banking industry not only in Tanzania but also globally as well. The objective of this study was to determine the factors that determine the repayment of loans in Tanzania, a case of the CRDB bank. The specific objectives of this study were to determine the effect of credit institutions' factors in paying loans in Tanzania, to determine to what extent the factors of borrowers affect the payment of loans in Tanzania and to determine the effect of loan factors in the payment of loans in Tanzania. The study adopted a descriptive research strategy. The study involved staff of CRDB bank at the Meru branch and its borrowers. The sample size of the study included 50 respondents. The data were analyzed in a descriptive way. This result of the study indicated that factors of lenders, factors of the borrower, and factors of the loans determines loan repayment of commercial banks in Tanzania. The study recommends banks to use an efficient and effective credit risk management that ensures that loans are combined with repayment capacity, minimum or Non-national loans, that loan defaults are identified and appropriate measures are taken to minimize the impact of defaulting. This study also recommends commercial banks to join and establish credit information that can be consulted before the loan is disbursed. Furthermore, the study recommends that commercial banks should have mandatory borrowers to monitor the use and repayment of loans. This supervision will allow commercial banks to closely observe the performance of borrowers. In addition, the training of borrowers prior and after receiving loans should be concentrated on areas such as management of their businesses, accounting and savings. These measures will reduce the rate of defaulters. Finally, the study recommends commercial banks to also apply strict credit policies so that loans are granted to those who are able to repay and mitigate moral risks, such as internal loans and information asymmetry.

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LIST OF ABBREVIATIONS

BOT	Bank of Tanzania
CRDB	Cooperative and Rural Development Bank
MFIs	Micro Finance Institutions
NGOs	Non Governmental Organizations
NPLs	Non-Performing Loans
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
VAR	Value at Risk

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Banks are crucial component of the countries' financial system of countries and they play a key role in the global economy. It follows that, should the financial system not work properly, its failure strongly impact on the entire economy. It is for this reason, legislators, regulators, academics and professionals look at this sector carefully to the strength and stability of this sector in all countries (Šarlija and Harc, 2012).

Bosa (2009) additionally demonstrated that the control of non-performing loan credit is imperative for both the management of bank and for the money related condition of the economy. This is because of the idea of your business; Commercial banks are presented to the dangers of indebtedness of the borrower. The reasonable appraisal of credit chance and the formation of satisfactory arrangements for terrible obligations and dicey credit can moderate the danger of banks. In any case, when the level of unbeneficial credits is high, the arrangements are not satisfactorily ensured (Bosa 2009).

As indicated by Schoombee, (2000), the development of keeping money emergencies has frequently been related with a monstrous collection of useless resources that may represent a significant piece of the aggregate resources of bankrupt banks and budgetary foundations. In this manner, it is important to build up the reasons for credit defaults to diminish the level of useless credit. In the course of the most recent decade, the credit nature of credit portfolios in the majority of the world's nations has remained moderately stable until the point when the budgetary emergencies have influenced the worldwide economy in 2007-2008 (Šarlija and Harc, 2012). From that point forward, the Normal nature of managing an account exercises has crumbled impressively because of the worldwide financial retreat. The way that credit execution is firmly connected to the business cycle is Notable and Not astounding. Notwithstanding, the crumbling in credit yields has been exceptionally uneven in all nations (Kandie, 2005).

Moreover, Sundarajan (2007) clarifies that credit hazard evaluation and loaning choices assumed by praise organizations in the past place a great deal of accentuation on security over other similarly vital contemplations. He has indicated more than this, there are cases in the past where it was less demanding to get a credit from a monetary foundation depending on the prerequisite that the borrower needed to pay the certification rather than the capacity to reimburse the credit.

As indicated by Bosa George (2009), income projections, the attainability of the venture, the character of the borrower, the finish of past credit and the capacity to pay were Not viewed as critical. Thusly, a few credit organizations have wound up with many credit defaults due to an inadequate, lacking and amateurish appraisal and credit hazard evaluation, specifically utilizing each of the 5C of the credit assessment display: limit, believability, capital, certification and character. Compelling credit portfolio administration starts with hazard supervision in individual credit (Bosa George 2009) A judicious hazard determination is crucial to keeping up a positive credit quality. Hence, the chronicled accentuation on quality control of individual credit endorsements and the administration of credit execution stays fundamental. It appears to be proper that any exchange of hazard administration strategies starts with the motivation behind why these organizations deal with the hazard.

As indicated by Olomola, (2000), supervisors of organizations that amplify esteem ought to augment the Normal advantage without considering the inconstancy around their Normal esteem. An audit of hazard administration educated by the commitments of Strutt (2000) to the territory of credit evaluation and No less than four distinct reasons offered for the dynamic administration of hazard. These incorporate the individual enthusiasm of the organization, the Non-linearity of the assessment structure, the expenses of budgetary troubles and the presence of blemishes in the capital market. Each of these legitimizes the worry of organizations for the fluctuation of exhibitions, as shown by the creators referred to above.

In perspective of the expanding multifaceted nature of saving money and the dynamic working condition, administration has proved to be essential, particularly in the monetary area. The exposure at the summit level can be seen as the chance that the money related soundness of a bank is influenced because of at least one unexpected elements (Coyle, 2000). In spite of the fact that the parameters indicating the security of banks may shift from the net premium edge to the market estimation of value, the factor that can cause the significance is additionally extensive. For instance, these could be the default in credit installments by borrowers, the adjustment in resource esteem or the interference of the activity because of an innovative disappointment (Coyle, 2000). Additionally as indicated by Coyle, B. (2000), delegated credit hazard as well as market chance are the initial two components; as a rule, banks present all dangers, barring credit hazard and market chance as operational hazard.

Moreover, as per BOT, (2018), the level of Non-repayable credit in Tanzania mirrors the wellbeing of the managing an account framework. A higher level of these credit demonstrate that banks think that its hard to gather premium and capital on their credit. This can prompt lower benefits for banks in Tanzania and, conceivably, bank terminations. The World Bank gives information to Tanzania from 2010 to 2016. The Normal incentive for Tanzania amid this period was 7.08% with at least 5.12% of every 2013 and a most extreme of 9.61% out of 2016, (Bosa, 2009).

Besides, as indicated by BOT, (2018), the level of Non-repayable credits in Tanzania mirrors the strength of the managing an account framework. A higher level of these credit demonstrates that banks think that its hard to gather premium and capital on their credit. This can prompt lower benefits for banks in Tanzania and, perhaps, bank terminations. The World Bank gives information to Tanzania from 2010 to 2016. The Normal incentive for Tanzania amid this period was 7.08% with at least 5.12% out of 2013 and a most extreme of 9.61% out of 2016, (Bosa, 2009).

Besides, as indicated by BOT (2018), amid the main portion of 2017/18, the saving money division stayed strong, steady and productive in blend with capital and liquidity levels for the most part surpassing administrative prerequisites. The proportion among capital and aggregate hazard weighted resources and cockeyed sheet introduction was 18.9% toward the finish of December 2017, over the statutory least necessity of 10%.

In a similar period, the proportion between fluid resources and uninvolved interest remained at 40.3%, over the base administrative necessity of 20%. In the interim, the benefit nature of the managing an account area has crumbled, as appeared by the extent of Non-performing credits (NPL) to net credit, which rose to 11.7 percent as compared to 10.6 percent as at the end of June 2017.

The Bank of Tanzania has requested financial services provider with a high NPL file, including the CRDB, to figure and execute systems to lessen the file to a greatest of 5% and have presented the obligatory prerequisite for all banks and monetary establishments to utilize credit report of credit candidates amid the assessments. The objective is to expand the utilization of the current credit reference framework to diminish dangers. Likewise, banks must guarantee that the most extreme point of confinement is come to by guaranteeing that hazard administration rehearses in managing an account foundations keep on enhancing (BOT, 2018).

1.2 Statement of the Problem

Credit has long been recognized as one of the important tools that support the successful development of several projects, which contributes to economic development. Tanzania is among countries that has had banking problems that reach the main banking problems after the crisis; 1993/1994, 1998 and 2007/2008 (BirhanuLakew, 2009). The crisis was mainly attributed to Non-performing loans (NPL). Non-repayable loans (NPL) to gross loans in Tanzania increased to 11.7% in 2018 as compared to 10.6% as at the end of June 2017 (ibid).

Most of research have been conducted on Non-performing of loan such as BirhanuLakew, (2009) and Kandie, (2005) and most of the study has concentrated with few variables and neglect the other variables. The control of loan default is very crucial for not only the performance of a single bank but also for the soundness of economy's financial environment. Therefore, this study sought to provide relevant data for the commercial banking sector, particularly in Tanzania, investigating the factors that determine the payment of deficient loans among commercial banks in Tanzania, also the study focuses on lender specific factors, borrower's factor and loan factor

1.3 Objectives of the Study

1.3.1 General Objective

The main objective of this study is to determine the factors Determining Loan Repayment in Tanzania.

1.3.2 Specific Objectives

(i) To determine the effect of lenders' factors on loan repayment

(ii) To determine the extent to which borrowers factors affect loan repayment

(iii) To establish the effect of loan factors on loan repayment

1.4 Research Questions

The study based on general and specific objective as follows:

1.4.1 General Research Questions

The main question of the study is what the factors Determining Poor Loan Repayment in Tanzania?

1.4.2 Specific Research Questions

(i) What is the effect of lender's factors on loan repayment?

(ii) At what extent to which borrower's factors affect loan repayment?

(iii) What is the effect of loan factors on loan repayment?

1.5 Significance of the Study

This study gives data to a superior comprehension of the determinants of the credit payments both of the lender and of the recipients of the credit. The primary favorable position of this investigation is to set up an information base that enables you to settle on an educated choice and take restorative measures. Along these lines, the investigation is essential for the partners of business banks, arrangement creators and the network on the loose.

The investigation causes money related organizations to all the more likely comprehend the significance of the variables that decide the inability to agree to credit to miniaturized scale undertakings financed by monetary foundations. The establishments would likewise get data on the issue of credit administration in Tanzania and the systems they have to take care of these issues and the experience of comparable associations in across the world to take care of these issues. This would help them to come up with approaches that would control the level of small scale undertaking credit default.

Also, the study enables the legislature to discover valuable data that could enable them to figure arrangements that prompt a decrease in the elements that prompt the misconduct of smaller scale ventures funded by financial institutions. This is on the grounds that as the budgetary segment develops, the administration must create arrangements that location the different difficulties of the business to encourage development with insignificant dangers. Besides, the examination would add to giving data that would encourage a superior comprehension of the components that decide credit defaults to smaller scale undertakings. It would likewise top up to the existing collection of learning and bridge the hole between the components encouraging defaults on the credit of miniaturized scale endeavors. It would also go about providing a source of reference materials to researchers.

1.6 Scope of the Study

The purpose of this study was to investigate factors contributing to loan repayment. The study was carried out at CRDB bank, Meru branch. It was limited to information of loan and bank services only and rely on the bank staffs and their customers for such information. This was lessened by administering the questionnaires and probing for clarifications from respondents to obtain valid responses.

1.7 Organization of the Study

This dissertation is chaptered in five chapters,

Chapter one discussed the objectives of the study and why the research was very important to perform with relative urgency. The study also showed the purpose of the study, as well as the importance of the study and the main problems expected during the research.

The second chapter shows the literature in relation to the topic. This chapter examined the literature on previous studies by other researchers on loan repayments. The aim of this literature review is to come up with key issues in relation to loan repayments.

Chapter three examines the study methodology. It focused on the overall methodology applied in conducting this research. This includes research philosophy and design, population, sampling techniques, data collection methods and as well as presentation, analysis and interpretation of results.

The fourth chapter concerns the results of the study and the interpretation of the results. Analysis, interpretation and presentation of data has been well covered by this chapter. Furthermore, the chapter presents the nature of data which were collected in the field, its analysis and presentation.

The fifth chapter covered the conclusions and recommendations thereof. This chapter provides the conclusion and recommendations in relation to the stated purpose. It also provides suggestions on loopholes for supplementary studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Conceptual Definitions

2.1.1 Loan

The loan is an agreement whereby a lender grants money or property to a borrower who in turn agrees to repay the money or return the property together with interest at a later date.

2.1.2 Microfinance

This is the process of making financial services available to low-income businesses and individuals, comprising consumers and self-employed individuals, who would have otherwise not accessed financial institutions related services (González-Vega, 2008). Through microfinance, a wide range of financial services including mobilization of funds, insurance, credit, as well as payment services for underprivileged or low income groups that are not usually included in the Regular banking sector.

2.1.3 Microcredit

A relatively small loan given to needy people or group of people to enable them employing themselves (Gonzalez-Vega, 2008).

2.1.4 Loan default

This is an event that occurs following compliance with the agreement to comply with the terms of repayment in detail when the amount borrowed is to be returned to the creditor (González-Vega, 2008.

2.1.5 Interest rates

It can be said to mean the reward from the borrower to the creditor, due to the fact that the borrower stayed with creditors money for a certain time (Bosa, 2009).

2.2 Theoretical Literature Review

2.2.1 Theory of Finance

The hypothesis under this theory, stressed over how firms including individuals apportion resources over time. In particular, it hopes to reveal how responses in due order regarding the issues looked in allocating resources over time, are energized by the proximity of financial markets (which give an approach to individual money related authorities to exchange advantages for be available at different concentrations in time) and of firms (which, by their age adventure decisions, give an approach to individuals to change (current resources physically into advantages for be open later on) (González-Vega, 2008).

With the help of different reserve theories, several experts in business have illuminated the activity of back in the market. Back theory involves examining the unique courses by which individuals and associations raise support, and what's more how money is assigned to adventures while taking into account the risk factors related with them. Back moreover consolidates the examination of money and diverse assets, administering and profiling adventure risks, control and organization of preferences, and the investigation of supervising money (Von Pischke, 2000). In essential terms, 'financing' moreover infers game plan and part of benefits for an adventure or a particular business module. The Arbitrage Pricing Theory, for example, addresses the general speculation of advantage assessing. Authentic asset assessing is fundamental for the most ideal esteeming of offers. The theory of Arbitrage Pricing communicates that the lending that is typical from a budgetary asset can be shown as an immediate limit of numerous speculative market records and extensive scale money related components.

Here it is acknowledged that the components considered are tricky to changes and that is addressed by beta coefficient of a specific factor. On the other hand, the Prospect theory, thinks about the alternatives that go with mysterious outcomes. The model is unquestionable normally and tries to address honest to goodness choices yet not perfect decisions during the provision of loan to borrowers

2.2.2 Theory

Tracing back from the 1980s, banks have viably associated the current portfolio hypothesis in order to grandstand risk. Various banks are at present using a motivation in threat (VAR) models to manage their market exposure and resulting credit cost. Either way, in spite of the way that credit chance remains the greatest danger standing up to most banks, the sensible of modern portfolio theory to credit probability has slacked (Sievers et al, 2003). Banks see how credit obsessions can negatively influence fiscal execution. Appropriately, different complex establishments are adequately looking for approaches, which are quantitative to manage credit chance estimation, while issues concerning data are still a hindrance factor.

The sector is also increasing important ground on the way to making devices that estimates credit peril in a portfolio setting. They are similarly using credit subordinates to trade chance profitably while sparing customer associations. Mixing these two evolutions has vastly energized animated headway in managing portfolio's credit risk over the span of late years. Generally, banks have received favorable position by-asset technique to credit chance organization.

As each bank's procedure moves, this technique incorporates discontinuously surveying other credit exposures and the credit idea of advances though a credit chance rating and gathering the outcomes of this examination to recognize a portfolio's typical adversities. The sound development review and inside credit chance rating structure are cornerstone of the favorable position by-asset approach is. A credit peril rating system and development review engage organization to perceive changes in portfolio slants or individual credits favorablly. In light of the outcomes of its worry; advance, advance study, and credit peril rating system organization can make critical adjustments to portfolio strategies or addition the supervision of credits in a promising way.

In the ace system, the branch advancing officer makes credit decisions. His capacity, judgment and weighting of particular segments are the most essential determinants in the decision to give propels. The development officer can assess anyway many concentrations as would be judicious yet should consolidate the five "Cs"; character, authenticity, capital, assurance and cycle (money related conditions). Despite the 5 Cs, a master may moreover consider the advance expense.

As a result of the error slanted nature and repetitive nature of the electronic capacity structure, various systems use selection to prompt the human ace's decision strategy. The fake neural frameworks have been suggested as answers for the issues of the ace structure. This system emulates the process of human learning. It takes in the possibility of the association among wellsprings of information and yields by again and again investigating info/yield information. Credit Scoring Systems is where money related evaluation is used to address the dependability of a man.

A FICO appraisal is essentially established utilizing credit report information. Moneylenders, for instance, banks use monetary appraisals to evaluate the potential danger introduced by offering credits to buyers and to ease adversities due to dreadful commitment. Using FICO evaluations, financial establishments make sense of who are the most met all prerequisites for a development, at what rate of interest, and to what credit limits. This advancing advancement uses a summary estimation about the borrowers expected future credit execution (Walsh & Wigens, 2003).

Honestly credit scoring acknowledge that credit examination finally builds up that the individual record of advance reimbursement of business people is particularly insightful of the development repayment prospects of the business (Ajayi, 2002) sees that Notwithstanding the way that FICO appraisals have been applied for a while in the U.S in ensuring buyers' advances, this advancing methodology has quite recently been starting late associated with little business credits which have been said to have Non-regulated documentation as well as being unnecessarily heterogeneous. Credit scoring procedures incorporates joining overpowering verifiable weights to the cash related conditions and history of the focal proprietor given that the credit estimation of the proprietor and that of the firm are immovably related for most autonomous organizations (Ajayi, 2002).

2.2.3 Loan Utilization Theory

This hypothesis communicates that checking of credit utilize makes people consider their associations essential and to avoid pounding the business by taking money from the business for their families (Adeyemo, 2004). This means: seeing of development utilize avoid unconstrained utilization of development. The checking furthermore gives an early advised of , which would then have the capacity to be overseen. The traditional microcredit all through the world have gone up against development redirection as a result of borrowers using their credit Not for the reason given on the development application outline or prescribed by the endeavor, yet for another all the all the more crushing purposes. Frequently progresses are diverted for advantageous or insufficient purposes to meet ascent helpful informational expense or some other. This examination is guided by this theory since it will give clear illumination to dealers' bank people to consider their associations critical and use advance for arranged purposes.

2.3 Literature Review

2.3.1 Borrower Factors

As shown by Olomola, (2000), the banks should filter the borrowers and choose the "colossal" borrowers from the "awful" borrowers and screen the borrowers to guarantee that the credit taken is used for proposed reason. This is basic to guarantee the borrowers can pay back their credits. In like manner the examination prescribe to look at a borrower's past record and monetary prospects to choose if the borrower is most likely going to repay or Not. Other than characters of the borrowers, security necessities, breaking point or condition of the market as well as ability to repay should be considered prior offering advances to the borrower.

Bank borrowers, found that diverse NGO cooperation, which he accomplices to access to various wellsprings of 'humble' support adversely, influenced the repayment execution. He also found that preparation and the region of the worked arrive, which can be mediators for plenitude of the borrower, decidedly influenced the repayment execution. The cooperation time allotment was earnestly associated with default while the credit gauge did Not fundamentally influence the repayment execution (Adeyemo, 2004).

As shown by Coyle, (2000) different procedures have been delivered for uniting peril into fundamental initiative structures by crediting affiliations. They go from essential systems, for instance, the usage of dynamic or easygoing reviewing methods, to really complex ones, for instance, the application of computerized proliferation models. Credit scoring structures apply information relating to the ordinary 5C's of credit. Not at all like judgmental systems, do correct structures of examination consider age and credit esteem is respected to increase with age (in agreement). The objective of credit scoring is to anticipate from a hopeful's characteristics whether a borrower is incredible (credit honorable) or dreadful (Not fiscally solid) risk. As shown by Ajayi C.A. (2002) the crucial information anticipated that would study the budgetary soundness of a customer is gotten by the 5 C's of credit: character, capital, farthest point, condition.

2.3.2 Lenders Factors

As demonstrated by Asrat, (2009), while surveying a little endeavors for a credit, moneylenders ideally get a kick out of the opportunity to see a two-year working history, a consistent organization assembling, an appealing strength in the business, an improvement in bit of the general business, a strong pay, and an ability to gain at this very moment financing from various sources as an upgrade to the development. Most moneylenders will require a business visionary to set up a credit suggestion or complete a development application. The heap of materials provided for a potential credit master should join a comprehensive technique for progress, notwithstanding point by point association and individual budgetary declarations.

The moneylender will then evaluate the development request through consideration of a combination of segments. For instance, the moneylender will examine the private endeavor's appraisal and scan for verification of its ability to repay the development, as past benefit or wage projections (in a similar place). The advance expert will similarly solicit into the measure from an incentive in the business, and furthermore whether organization has satisfactory experience and ability to keep up the business suitably.

Close by get-together crediting, MFIs by and large applies dynamic helpers and social intermediation. MFIs applies sparks which are dynamic when they rise the entirety lent to a specific borrower as credit are revived and condition the task of new advances to past repayment direct. Microfinance is in like manner from time to time insinuated as social intermediation (Adam and Kamuzora, 2008) a similar number of MFIs give organizations or setting up that go past cash related organizations.

Rather than social occasion advancing, these two rule features of the microfinance procedure have been negligible chronicled up to now. In an examination on the Greuning, and Iqbal, (2007) found that the more drawn out the branch works in a domain, the higher the credit default rate. They illuminate this component by the possibility of reducing insignificant efficiency of new exercises. This could in like manner be a direct result of a terminating power of dynamic persuading powers as credit is reestablished after some time especially if borrowers see that credit isn't intentionally denied to defaulting or late borrowers.

According to Chijoriga, (1997) giving credit is a voyage, the achievement of which depends upon the strategy associated with survey and concedes the credit. This voyage kicks off from the credit application stage through anchoring of credit arrangements and completions at the time the commitment is totally paid. Different procedures have been created for melding danger into the essential initiative process by crediting affiliations. They go from reasonably clear methodologies, for instance, the use of dynamic or easygoing approaches to manage the usage of really complex strategies like the PC generation models (in agreement). Many advancing decisions by the money related associations rely upon the boss' theoretical assessments about the danger in association with the typical repayments of the borrower.

Advancing foundations commonly use this philosophy in essential authority since it is both fundamental and unassuming (BirhanuLakew, 2009). For establishments that do have dynamic trading associations, regard in risk has transformed into the standard system. Practically identical systems are set up at various firms. In that much exists in individuals when all is said in done record about these structures, there is little a motivating force to exploring this method here. He say that the step by step, week after week, or month to month capriciousness of the market estimation of settled rate assets are intertwined into an extent of total portfolio risk examination close by esteem's market shot, and that of outside named assets. For fiscal record prologue to credit expense shot, business setting aside extra cash firms seeks after a substitute drummer. Given the all things considered recognized accounting techniques set up for bank assets, and moreover the close-by correspondence of preferred standpoint and hazard structures, business banks tend Not to use promote regard reports, guidelines or limits (BirhanuLakew, 2009)

Nonattendance of supervision of endeavors develops when invigorate of customer information and borrowers conditions is not done as frequently as conceivable in this manner the crediting foundation agents' not being able to be near to their customers to their customers (Sundarajan, 2007). Moral hazard as for senior organization, credit officers and borrowers develops when progresses are not subjected to run of the mill target credit examination before installment. This may fuse extending credit to business they have or with which they are related to, close colleagues and relatives among others. As for borrowers this will raise when they got stores are not put to the usage for which they are procured yet rather the benefits are diverted to other individual use.

Repayment issue is one of the fundamental issues of MFIs that stresses all accomplices (Balogun and Alimi, 2008) where the high development default rate is the basic driver of the mistake of MFIs. The workplace issue, hostile assurance and great hazard that show up due to the asymmetries of information are the key inspiration driving why these happened. This is in light of the fact that the advance experts can't watch the acts of their clients it is conceivable that they are clear and deceitful. The moneylenders can simply watch the consequence of their credits either the clients repay or Not. Thusly, to direct the repayments issues, a comfortable association among borrower and bank can be associated through checking, business control and steady assembling. Other than that, the credit pro can familiarize repay structure in relation to those who paid timely, for instance, discount or mark-down.

2.3.3 Loan Factors

According to Bosa (2009), the purposes behind Non-reimbursement could be amassed in three essential domains: the Normal characteristics of borrowers and their associations making it unrealistic that the credit wild be reimbursed. Second, are the qualities of advancing association and propriety of the credit thing to the borrower, which make it unrealistic that the development would be repaid. Third, is deliberate risk from the outside components, for instance, the money related, political and business condition in which the borrower works.

Gotham, (2006) find that individual crediting has three segments to be particular the enthusiasm for Non-standard assurance, a screening technique which solidifies new with traditional segments and dynamic driving forces in blend with the end peril in case of default, which ensure high repayment rates up to 100 percent. Additionally Greuning and Iqbal, (2007 in their examination induce that adjacent and easygoing association among MFIs and borrowers may help in watching and early area of issues that may rise in Non-repayment of credits. Also, joint effort and coordination among various associations that give additional assistance to borrowers may empower them to win in their business. The examination broke down the colossal practices and execution of picked MFIs in Malaysia particularly;

2.4 Research Gap

There is No doubt that various studies have been conducted on factors contributing to poor loan repayment inside and outside Tanzania. However, most of the studies have not indicated the extent these factors such as interest rates charge, diverting fund and multiple borrowing is one of the contributor towards non repayment of the. Moreover, None of the reviewed literature was carried out at CRDB bank Meru branch, where this study was carried out. Therefore, this study covered the identified gaps.

2.5 Conceptual Framework

A conceptual structure is a product of a qualitative process of theorization that links the concept that together provides a complete understanding of a phenomenon or phenomenon (Brace, 2008). The conceptual structure of this study is linked to independent variables that are factors of lenders, borrower factors and loan factors. The dependent variable is; poor loan payments. This relationship is shown in the following Figure 2.1.

Independent Variables **Dependent Variable**

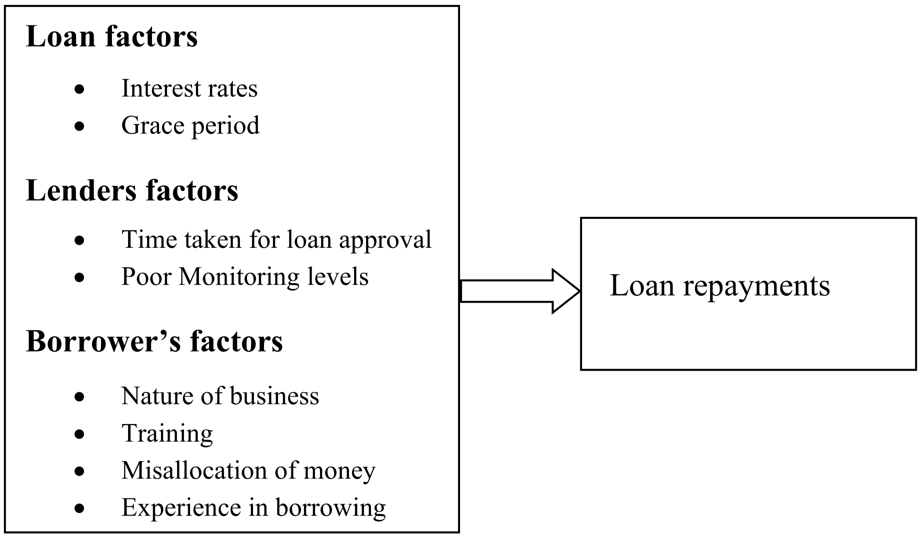

Figure 2.1: Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discussed the research methodology applied by the study. This chapter incorporates the following sections; research design, study's population and sample size, validity and reliability, sampling procedures, data collection and data analysis techniques

3.2 Research Design

Rajendra (2008) defines the design of research as the connection and organization of settings for collection of data as well as analysis in with the purpose of combining the relevance of the study's purpose with the economy in carrying out the procedure. The study assumed a research design that is descriptive in which a survey was used to allow the study to conduct in-depth research and this involved the use of different methods for collecting data, sampling procedures, analysis and data presentation.

3.2.1 Area of the Study

Kothari (2004) defines the area of study as the area in which a researcher uses all his skills and methods to allow the systematic collection of sufficient information on the phenomenon, to enable him to understand how it functions as a unit of society. This study was conducted at the CRDB Bank, Meru branch, Arusha.

3.2.2 Population of the study

As far as research methodology is concerned population can be defined as a collection of individual units, objects or elements from which representatives are obtained for measurement purposes (Kothari, 2004). Therefore, the population targeted by this study consisted of all CRDB workers and their clients in the Meru Branch. Currently, the population of borrowers in the CRDB bank, branch Meru, is 150 (CRDB Profile, 2018). It was considered that the population was sufficient to provide sufficient and relevant information on the topic under study.

3.2.3 Sample and Sampling Technique

A sample size is regarded to be the number of elements that will be selected by the universe to constitute the representation, and it usually responds to how many sampling units should be detected and interviewed (Kothari, 2004). Study's sample size constituted 50 respondents various departments of the CRDB Bank and its debtors.

In selecting sample items, simple random sampling technique was applied. The simple random sampling technique offers each item of the population equal possibility of being included in the sample (Kothari, 2004). Therefore, the respondents were selected by simple random sampling, which involves drop and pick method in selecting items from which primary data was gathered.

3.3 Procedures for Data Collection

Kothari (2007) explains the procedures for data collection as a guide for data collection, processing as well as data analysis for the selected items of population.

3.3.1 Types of Data

The study based on both primary data and secondary data types.

3.3.1.1 Primary Data

Primary data is gathered for the first time, so that they are of an original nature (Kothari, 2004). This study obtained primary data on the subject of the study directly from the bank's employees in different departments and their clients (borrowers).

3.3.1.2 Secondary Data

"On the other hand, secondary data implies readily compiled data as a source of evidence whereby someone has already undertaken the statistical process on those data (Kothari, 2004)." Therefore, document review of various sources was used to collect secondary data for the purpose of this study, for example the population of respondents was obtained through secondary means.

3.3.2 Methods of Data Collection

3.3.2.1 Questionnaire

With questionnaire as the data collection device where respondents are usually required to provide answers in writing to statements or questions that require objective response (Kothari, 2004).

According to Babbie, (2010), questionnaires are preferred because they are easy to administer and save time. The study obtained data from the questionnaire of CRDB bank employees of different departments and loan borrowers. The questionnaire data was collected by the bank staff and borrowers through the organization of queries that were used to gather information from respondents by completing the answers on a given sheet. The researcher gave questionnaires to respondents who probably do not have the ability to easily interpret the questions. It included closed and open questions.

3.3.2.2 Interview

Babbie, (2010) states that the interview refers to a way in which the interviewer can ask for clarifications and details about the answers given, and this gives the interviewer more freedom to investigate the answers and then start a dialogue with the interviewee. Therefore, when using the interview, the researcher can investigate more to get more information from the interviewees, because neither the interviewer Nor the respondents are limited to specific questions and answers.

Interviews were recorded on audio and observations were made during interviews that were recorded (ibid). Data are gathered via a questionnaire and an interview as primary methods of collecting data based on monetary loans, loans and repayments.

3.3.2.3 Documentary

The document review refers to the analysis of documents that contain information on the phenomenon we wish to study (Babbie, 2010). Data from the documentary were collected from various sources, such as online and other sources such as books, magazines, research papers, brochures and previous publications. Reports that allowed reading different literatures

3.4 Data Processing and Analysis

Data that has been collected, were cleaned, processed and analyzed through a computer program known as Statistical Packages for Social Sciences (SPSS). The data of the questionnaires have been codified by converting them into numerical codes and organized in a systematic and readable way.

Regression analysis was used to find the speed and intensity of the relationship of independent variables to dependent variables.

The researcher carefully examined all the questionnaires and imported them into the software package for the coding process that helped analyze the data for further details. During the data analysis, the researcher used statistical frequency tables to present the data collected during the survey.

In this area, the relationship between determinants variable also known ad independent, and determining variable also known as dependent was established through multiple regression analysis as per the following model:

$Y= \beta 0 + \beta 1\ X1 + \beta 2\ X2 + \beta 3\ X3 +\epsilon$

Where;

Y = Poor loan repayment (Dependent Variable)

X1 – X3 – Independent Variables

X1 = Lender factors

X2 = Loans factors

X3 =Borrowers factors

$\beta 0$ = Co-efficient of the model (regression constant)

$\beta 1 – \beta 4$ = Beta Co-efficients of Determination (coefficients associated with predictor variables).

ϵ = Residual (error) term

3.5 Reliability and Validity of Data

3.5.1 Reliability

Brace, (2008) defines Reliability as whether a tool will result to same or different answers when applied to measure the same subject matter over time. This is to say; reliability has to do with the extent to which the tool influences consistence and stability of the results. Reliability was considered in this study since the researcher designed the questionnaires with simple and elaborated questions and simple answers were needed from the respondents.

3.5.2 Validity

"Gotham, K. F. (2006) explains validity as the degree to which study's findings signify exactly what is actually occurring in the real situation".

"In order to ensure validity, triangulation technique was applied through the use of interviews, questionnaires as well as analysis of secondary data at the same time and this was done through the pilot test of data collection tools". The data collection tools were designed in such a way as to measure the attitudes and opinions of the respondents. More ideas developed by the conceptual framework were bencmarked with the problems obtained during the interview and the answers obtained from the questionnaires to ensure the validity of the construct ".

3.6 Ethical issues

The focus of ethics is on rightness or wrongness of an act in a particular discipline including philosophy, theology, law, psychology or sociology (Hart, 2005). Following are some ethical principles:

3.6.1 Analysis of the Benefits for the Risk

Risk benefit relationship was considered by the researched so as to lower risk to the minimum level possible. Ideas were shared among participants, a fact that enabled them to improve their knowledge of business problems. The participants also expressed satisfaction with the fact that the information they provide will assist to improve the standard for loan repayments during business.

3.6.2 Confidentiality

"Confidentiality refers to the arrangement whereby the one conducting research agrees not to disclose the information obtained in the course of study for an incorrect reason (Hart, 2005)."

The following precautions have been used to maintain confidentiality:

The list of participants' names, transcripts and Notes was kept in a closed safe. The list of names was separated from records, transcripts and Notes. None of the name was attached to recordings, questionnaires or short notes taken. The study protected confidential communications, such as documents or subsidies presented for publication, personnel documents, commercial and financial records.

3.6.3 Human Subjects Protection

Under this principle, the focus is on giving an individual participant self-determination right as well as complete disclosure right (Herbert, 2007). Self-determination right implies that determination; The principle implies that potential participants do not have obligations to participate to the studies. Those who participate have the right to choose whether or not to participate, (Herbert, 2007). Those participating in this study were contacted and study’s objectives was enlightened to them. "Non of the participant was given reward neither was the environment that promises any form of compensation participants were further given a room to withdraw at any stage provided that the wished to do so. This necessitated getting verbal and written consent prior participating and those who disagreed to participate were not forced".

The complete disclosure right; This right requires the researcher to fully explain study’s nature and participants means that the researcher has fully explained the nature of the study and the person's right to refuse to participate. Self-determination depends on full disclosure (Herbert, 2007). The researcher shared with the participants the objectives and purpose of the study, the type of interview and other data collection procedures.

CHAPTER FOUR

INTERPRETATION, ANALYSIS AND DISCUSSION OF THE FINDINGS

4.1 Introduction

This chapter focused on presentation and discussion of key findings. Findings on the loan repayments in Tanzania have been presented and discussed in this chapter.

4.2 Interpretation of Results

4.2.1 Cross Tabulation Demographical Data of Respondents

4.2.1.1 Gender of Respondents and Age

The study through cross tabulation sought to know the relationship between gender and age. The results shown that,6 and 0 of respondents with the age below 20 years were male and female respectively. Also, 17 and 3 respondents with age between 21-45 years were male and female respectively. 8 and 11 respondents with age between 46-55 years were male and female respectively. 5 and 0 respondents with the age above 55 years were male and female respectively. This implied that the study area was dominated by a Male with aged 21 to 45 years.

Table 4.1: Gender of Respondents * Age of Respondents Cross Tabulation

		Age				Total
		Below 20	**21-45**	**46-55**	**Above 55**	
Gender	Male	6	17	8	5	36
	Female	0	3	11	0	14
Total		**6**	**20**	**19**	**5**	**50**

Source: Field Data (2018)

4.2.1.2 Gender and Level of Education

The results indicated that 15 and 7 respondents with primary education were male and female respectively. 12 and 6 respondents with secondary education level were male and female respectively. 9 and 1 respondents with collage level of education were male and female respectively

Table 4.2: Gender of Respondents * Education Level of Respondents Cross Tabulation

		Education			Total
		Primary	**Secondary**	**College**	
Gender	Male	15	12	9	36
	Female	7	6	1	14
Total		**22**	**18**	**10**	**50**

Source: Field Data (2018)

4.2.1.3 Age and Education

The results indicated that 3, 3 and 0 respondents with the age below 20 years had primary, secondary and collage level of education respectively. 10, 5 and 5 respondents with the age between 21-45 years had primary, secondary and collage level of education respectively. 9, 5 and 5 respondents with the age between 46-55 years had primary, secondary and collage level of education respectively. 0, 5 and 0 respondents with the age above 55 years had primary, secondary and collage level of education respectively.

Table 4.3: Education level of Respondents * Age of Respondents Cross Tabulation

		Age				Total
		Below 20	21-45	46-55	Above 55	
Education	Primary	3	10	9	0	22
	Secondary	3	5	5	5	18
	College	0	5	5	0	10
Total		**6**	**20**	**19**	**5**	**50**

Source: Field Data (2018)

4.2.1.4 Gender and Position in Business

The results shown that 5 male and 0 female had attained banking services less than 1 year.12 male and 12 female had attained bank services for 1-5 years.15 male and 2 female had attained bank services for 6-10 years.4 male and 0 female had attained bank service above 10 years

Table 4.4: Gender * Duration of Banking with CRDB Bank Cross Tabulation

		Duration of banking with CRDB Bank				Total
		Less than 1 year	1-5 years	6-10 years	Above 10 years	
Gender	Male	5	12	15	4	36
	Female	0	12	2	0	14
Total		**5**	**24**	**17**	**4**	**50**

Source: Field Data (2018)

4.2.2 The Perception on the Factors Dertermining Poor Loan Repayments

4.2.2.1 Lenders Factors

This section presents data findings on the duration taken by bank for a loan to get approved, poor Monitoring levels in the economy, grace period and extent that the Bank factors affect loan repayment.

4.2.2.1.1 Effects of Time Taken for Loan Approval on Loan Repayments

It was sought to establish whether the amount of time or duration taken for the loan to get approved affected loan repayment possibility. It was found out that 80% of the respondents agreed that time to approval of the loan has an impact loan repayment possibility while 20% of the respondents depicted that time to approval of the loan does not affect loan repayment possibilities. From the responses, it has been established that time taken from loan application to approval has an impact on loan repayment at CRDB bank.

Table 4.5: Time Taken for the Loan to be Approved Affect Loan Repayment

	Frequency	Percent
Agree	40	80.0
Disagree	10	20.0

Total	50	100.0

Source: Field data (2018)

4.2.2.1.2 Effect of Poor Monitoring in Loan Repayments

The study wanted to know if the Poor Monitoring of loan affects the loan repayments. The results shown that 90% of respondents were affected by Poor Monitoring in the loan repayment while 10% of respondents were not affected by Poor Monitoring

Table 4.6: Poor Monitoring in Loan Repayment

Poor Monitoring Levels	Frequency	Percent
Agree	45	90.0
No	5	10.0
Total	**50**	**100.0**

Source: Field Data (2018)

4.2.2.1.3 Extent that the Bank Factors Affect Loan Repayment

The study intended to establish the degree to which bank loan repayment is affected by bank factors. The results shown that 50% of respondents were affected by bank factors at large extent, 28% of respondents was affected by bank factors at moderate extent and 22% of respondents were affected by bank factors at small extents.

Table 4.7: Extent that the Bank Factors Affect Loan Repayment

Extent Bank factors affect loan repayment		
Extent Bank factors affect loan repayment	**Frequency**	**Percent**
small extent	11	22.0
moderate extent	14	28.0
large extent	25	50.0
Total	**50**	**100.0**

Source: Field Data (2018)

4.2.2.2 Borrowers Factors

4.2.2.2.1Nature of Business

The researcher sought to know if the nature of business affects loan repayments. The results shown that 62% of of borrowers affected by nature of business in loan repayment while 38% of respondents were Not affected by nature of business in loan repayment

Table 4.8: Nature of Business Affects

Nature of Business	Frequency	Percent
Agree	31	62.0
No	19	38.0
Total	**50**	**100.0**

Source: Field Data (2018)

4.2.2.2.2 Effect of Training and Financial Managerial Skills in Loan Repayments

The reasearcher sought to know if lack of training and managerial skill affect loan repayments. The results shown that 64% of respondents affected by lack of training and managerial skills in loan repayment while 36% no with statement

Table 4.9: Trainings and Financial Management Skills on Loan Repayment

Trainings and financial management skills	Frequency	Percent
Agree	32	64.0
Disagree	18	36.0
Total	**50**	**100.0**

Source: Field data (2018)

4.2.2.2.3 Effects of Experience in Borrowing on Loan Repayment

It was of researcher's interest to know whether poor loan repayment was a result of lack of borrowing experience. The results shown that 70% of respondents agreed that lack of experience in borrowing affected loan repayment while 30% of respondents said that lack of experience in borrowing did not affect loan repayment.

Table 4.10: Experience in Borrowing on Loan Repayments

Experience in borrowing	Frequency	Percent
Agree	35	70.0
Disagree	15	30.0
Total	**50**	**100.0**

Source: Field Data (2018)

4.2.2.2.4 Misallocation of Money

The study asked the respondents to state if misallocation of borrowed money affected loan repayments. The results indicated that majority (80%) of respondents said that misallocation of borrowed money is the source of poor loan repayment while 20% of respondents not agreed with the statement.

Table 4.11: Misallocation of Money

Misallocation of money	**Frequency**	**Percent**
Agree	40	80.0
Disagree	10	20.0
Total	**50**	**100.0**

Source: Field Data (2018)

4.2.1.2.5 Extent Borrowers Factors Affects Loan Repayment

The researcher asked the respondents to state the extent borrower factor affects loan repayments. The results shown that 74% of respondents were affected by borrower’s factors at large extent, 16% of respondents were affected by borrowers factors at small extent and 10% of respondents were affected by borrower’s factor at moderate extent.

Table 4.12: Extent Borrower's Factor Affects Loan Repayment

Extent borrower's factor affects loan repayment	Frequency	Percent
small extent	8	16.0
moderate extent	5	10.0
large extent	37	74.0
Total	**50**	**100.0**

Source: Field Data (2018)

4.2.2.3 Loan Factors

This section presents data findings on the loan factors and their effects on loan repayment at CRDB Bank.

4.2.2.3.1 Effect of Interest Rates Charged on the Loan

It was of researcher interest to know if the interest rates charged on the loan affect the loan repayment. The results shown that 72% of respondents were affected by interest rate charged on the loan while 28% of respondents were not affected by interest rate charged by the loan

Table 4.13: Interest Rate Affects Loan Repayment

Effect of interest rate	Frequency	Percent
Agree	36	72.0
Disagree	14	28.0
Total	**50**	**100.0**

Source: Field Data (2018)

4.2.2.3.2 Effect of Grace Period Provided by Bank on Loan Repayments

The study revealed that at least 62% of the respondents said that the grace period provided by bank affected their loan repayments while 38% of respondents were not affected by grace period provided by bank.

Interviewed respondents had concerns regarding the insufficiency of time being to make their first installment. The one month grace period extended by most of financial institutions appears to be a short period for borrowers to earn sufficient income that may enable them to start paying their loans. This implies that the grace duration provided by commercial banks to borrowers in particular appears to be shorter for them to start paying the loan.

Table 4.14: Grace Period

Grace period	Frequency	Percent
Agree	31	62.0
Disagree	19	38.0
Total	**50**	**100.0**

Source: Field Data (2018)

4.2.2.3.3 Extent Loan Factors Affect Loan Repayments

The study asked the respondents to state the extent loan factors affects loan repayments. The results shown that 68% of respondents were affected by loan factors at large extents, 20% of respondents were affected by loan factors at small extent and 12% of respondents were affected by loan factors at moderate extent.

Table 4.15: Extent Loan Factors Affect Loan Repayments

Extent loan factors affect loan repayments		
Extent loan factors affect loan repayments	**Frequency**	**Percent**
small extent	10	20.0
moderate extent	6	12.0
large extent	34	68.0
Total	**50**	**100.0**

Source: Field Data (2018)

4.3 Descriptive Statistics for Factors Lead to A Poor Loan Repayments

From the table of descriptive statistics 4.14,

The average estimates the central value of the distribution and it indicates process' performance. The average is related to accuracy or systematic error. The average allows the researcher to predict the subsequent data points if the process remains stable. SD informs us on the deviation of observations from the central value. That is to say how close are the values of the individual data to the average value. It tells us how much our sample average is close to the real average of the general population. Together, they help provide a more complete picture of what the media can tell us,

The results show the average and standard deviation 1.3800 and 0.49.031 thousand for lending institutions, respectively, the average and the standard deviation of 1.4800 and 0.5046 for the takeover factor respectively, the average and the standard deviation of 1,4,000 and 0,49,487 thousand for loan factors, respectively. The highest SD for loan factors indicated that the responses were highly polarized, in which the majority of respondents were influenced by the loan factors.

The standard error ("std. error" or "SE"), indicates reliability of the media used for data collection, the accuracy of sample mean is normally indicated by a small SE than the real average replication of the population. The SE factor of borrowers is 0.06934 relatively small, giving us an indication that our average is relatively close to the real average of our general population. Therefore, the borrower factor has a greater influence on lending loan payments than other independent variables are factors that lenders and loan factors.

Table 4.16: Descrptive Statistics

	Mean		Std. Deviation
	Statistic	**Std. Error**	**Statistic**
Lenders factors	1.3800	.07137	.49031
Borrowers factors	1.4000	.06934	.50467
Loan factors	1.4800	.06999	.49487

Source: Field Data (2018)

4.4 Results of Correlation between Loan Determinants and Loan Repayment

The researcher conducted a person correlation analysis to assess the factors determinants of the Poor loan repayment in Tanzania. Pearson's correlation was carried out to look for relationships between the independent variable (Lenders factor, Borrowers factor, Loan factors,) and dependent variable (Poor loan repayment).

Table 4.17: Correlations

		Poor loan repayment	Lenders factor	Borrowers factor	Loan factors
Pearson Correlation	Poor loan repayment	1.000	.505	.880	.637
	Lenders factor	.505	1.000	.574	.322
	Borrowers factor	.880	.574	1.000	.397
	Loan factors	.637	.322	.397	1.000
Sig. (1-tailed)	Poor loan repayment	.	.014	.000	.002
	Lenders factor	.014	.	.005	.090
	Borrowers factor	.000	.005	.	.046
	Loan factors	.002	.090	.046	.
N	Poor loan repayment	50	50	50	50
	Lenders factor	50	50	50	50
	Borrowers factor	50	50	50	50
	Loan factors	50	50	50	50

Source: Field Data (2018)

The Pearson correlation r is 0.505 between the two variables, this indicate a moderate positive correlation between Poor loan repayment and Lenders factor. That is as

Lenders factor increase there is moderate change in Poor loan repayment. The Pearson correlation r is 0.880 between the two variables, this indicate a high positive correlation between Poor loan repayment and Borrowers factor. That is as Borrowers factor increase there is huge increase in Poor loan repayment. The Pearson correlation r is 0.637 between the two variables, this indicate a moderate positive correlation between Poor loan repayment and Loan factors. That is as Loan factors increase there is increase in Poor loan repayment.

4.5 Results of Multiple Regression Analysis

Multiple regression analysis was conducted by the researcher to evaluate the determinants of repayment of shoddy loans in Tanzania. The variable to be predicted is known as the dependent variable (or, at times, the result, the objective or variable criterion). The predictor variable is known as the independent, explanatory or predictor variable. In regression analysis; the researcher discussed how well the model fits, the statistical significance, the estimated modulation coefficients and the statistical significance of the independent variables

4.5.1 Determining How Well the Model Fits

The first table of interest was the summary table of the model. This table provided the estimate of the error R, R2, R2 and standard, which was used to determine how well a regression model, fits the data. In a model summary, the "R" value was used to indicate the strength and direction of the relationship between the variables. In this case, as shown by R = 0.935, this indicates that there was a strong and positive general relationship between the variables. The value of R2 (the "Square R" column) indicates how much of the total variation of the dependent variable (poor repayment of the financial loan) can be explained by the independent variables (lender factor, borrower factor and loan factors). It was found that the square R in the study was 0.874. This value indicates that independent variables can represent 87.4% of the variance in the dependent variable. Therefore, the study found that the adjusted R^2 of the model was .849 with $R^2 = .874$. This means that linear regression represents 87.4% of the variance in the data.

Durbin Watson test: Durbin Watson statistics were made to test autocorrelation tests from a statistical regression analysis. The results of the Durbin Watson test were 1,523 called positive autocorrelation

Table 4.18: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.935[a]	.874	.849	.18566	1.523

Source: Field Data (2018)

4.5.2 Statistical Significance

The quotient F in the ANOVA table controls whether the general regression model is suitable for data. The linear regression test F has the null hypothesis that the model explains the zero variance in the dependent variable (in other words $R^2 = 0$). The F test is very significant.

The Table 4.19 shows that the independent variables predict the dependent variable statistically, $F (3, 15) = 34.699$, $p <.0005$.

From the above ANOVA table, the results shown that, p or Sig = 0.000, which is less than 0.05, and indicates that, in general, the regression model statistically predicts the outcome variable significantly

Since sig is less than 0.05 the null hypothesis was rejected and accept alternative hypothesis (at least one of the independent variables do affect dependent variable) that there is significance difference between lenders factor, Borrowers factor and Loan factors towards Poor loan repayment.

Table 4.19: ANOVA

	Model	**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	3.588	3	1.196	34.699	.000b
	Residual	.517	15	.034		
	Total	**4.105**	**18**			

Source: Field Data (2018)

(a) Dependent Variable: Poor loan repayment

(b) Predictors: (Constant), Loan factors, Lenders factor, Borrowers factor

4.5.3 Estimated Model Coefficients

The coefficient table gives necessary information for the researcher to predict variables dependent on independent or predictor variables, as well as to establish whether independent variables contribute statistically to the model (by looking at the "Sig" column. Beta values indicate the relationship's direction. The nature of the relationship is indicated by the negative or positive sign. Significant values (p value) under sig. the column indicate the statistical significance of the relationship or the probability that the model produces an incorrect prediction. We recommend a p value lower than 0.05 because it means a high degree of security.

The Coefficients table provided with the necessary information to predict Poor loan repayment from the independent variables, as well as determine whether Independents variables contributes statistically significantly to the model (by looking at the "Sig." column). Since sig valued for Borrowers factor, lenders factors and Loan factors have sig values $p<0.05$ which are Borrowers factor (p= .000) and Loan factors (p=004) and lender factors (p =037). It has indicated that Borrowers factor, lenders factors and Loan factors statistically significantly contributes to the regression model (Poor loan repayment).

The results of the regression equation show that if all the predictive variables were classified as zero, the Poor loan repayment would have been -0.142. An increase in unity in the lenders factor would result in a change of Poor loan repayment at -0.074, while a unitary increase in Borrowers factor would change the Poor loan repayment by 0.813. Increases in unity in Loan factors would change the Poor loan repayment at 0.443. It was assumed that the term stochastic error was zero. Multicollinearity (also co linearity) was performed; this is a phenomenon in which one predictor variable in a multiple regression model through a variance Poor Monitoring factor (VIF).

Variance Poor Monitoring factor gives an index that measures how much the variance of an estimated regression coefficient is increased because of co linearity. The results from the coefficient table indicated the value of lenders factor was 1.515, the value of Borrowers factor was 1.612 and the value of Loan factors was 1.206, which indicated that there was moderately correlated with Poor loan repayment because their values was between 1 and 5.

Table 4.20: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
(Constant)	-.142	.184		-.772	.045	-.534	.250		
Lenders factor	-.074	.171	-.049	-.432	.037	-.438	.290	.660	1.515
Borrowers factor	.813	.123	.770	6.616	.000	.551	1.074	.620	1.612
Loan factors	.443	.128	.348	3.455	.004	.170	.717	.829	1.206

Source: Field Data (2018)

a. Dependent Variable: Poor loan repayment

The multiple regression equation to predict dependent variable from independent variables which were:

Y= $\beta0 + \beta1\ X1 + \beta2\ X2 + \beta3\ X3 + \epsilon$

Where;

Y = Poor loan repayment (Dependent Variable)

X1 = Lenders factor

X2 = Borrowers factor

X3 = Loan factors

$\beta0$ = Co-efficient of the model

$\beta1 - \beta4$ = Beta Co-efficient of Determination

ϵ = Stochastic Error Term

$\beta0$ = Co-efficient of the model (constant)

The equation for the regression model was expressed as:

$Y= \beta0 + \beta1\ X1 + \beta2\ X2 + \beta3\ X3 +\epsilon$

$Y= -0.142+ -.0.074X1 + 0.\ .813X2 + 0.443X3 + \epsilon$

4.6 Discussion of the Findings

The study determines the factors Determining Poor Loan Repayment in Tanzania, a case of CRDB Bank. The research findings indicated that lender factors, borrower's factor and loan factors are the source of poor loan repayment. In objective 1 through determining the effect of lenders' factors on loan repayment in Tanzania the results shown that, the majority of respondents were affected by lenders factors at large extent. Time taken for loan approval, Poor Monitoring levels was mentioned as challenging factors in loan repayment. In a study on the Greuning, and Iqbal, (2007) found that as the branch operates for the long period in an area the higher the potentials that the loan will be defaulted. This feature was explained by them through possibility of decreasing marginal profitability and purchasing powers of new projects. It could also be brought by the decrease in the dynamic incentives' power as the renewal of credit occurs over time, particularly when the ones taking loans observes that the loan appraisal process is not systematically conducted.

In objective 2 about to determine the extent to which borrowers factors affect loan repayment in Tanzania, the majority of respondents were affected by borrower's factors at large extent. The different factors such as Nature of business, training and financial managerial skills, of experience in borrowing and Misallocation of money stated as source of poor loan repayments.

In objective 3 about to establish the effect of loan factors on loan repayment in Tanzania. The results shown that, the majority of respondents were affected by loan factors at large extent whereby Interest rates charged on the loan and grace period provided by bank was mentioned as challenging factors in loan repayment. According to Olomola, (2000), the institutions extending loans has the role of filtering good borrowers from the bad ones and monitoring borrowers after the loan has been extended so as to ensure that the loan is applied for the intended purpose. This is significant to ensure that borrowers return the amount that they have borrowed. In addition, the study suggests analyzing the history and economic prospects of a borrower to determine whether the borrower is likely to pay or not. Also, the results in correlation analysis had shown the positive correlation between the loan determinants and factors lead to poor loan repayments.

Furthermore the regression results shown the statistical significant and relationship between lenders factor, borrowers factor and loan factors, this means that the independence variables (lenders factor, borrowers factor and loan factors) has an influence to dependent variable (poor loan repayment).

CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusion, recommendations and areas for further study. The main objective of the study was to determine the factors Determining Poor Loan Repayment in Tanzania.

5.2 Summary of Findings

The purpose of this study was to determine the factors that determine the poor repayment of loans in Tanzania. The study analyzed showed the results of independent variables (lender factors, borrower factors and loan factors) and the way independent variables influence dependent variables (poor credit payments). The descriptive and inferential results were analyzed in the study and the results showed the relationship between the lender factor, the borrower factor, the loan factors and the loan payments deficient. The summary is organized according to the research objectives as follows.

Factor of lenders, this study found that there is a significant relationship between lenders' factors and repayment of the loan among commercial bank customers in Tanzania. The study revealed that the amount of time required to approve the loan affected the possibility of repaying the loan. The study also revealed that Poor Monitoring levels in the economy have influenced the possibility of repaying the loan among commercial banks. Also through the interview, the study found that the loan amount provided and the repayment period of the loan, the rate of approval of loans in the bank, the amount of information provided by the applicant, the Bank's performance of loans granted, the information requested by the Bank and the availability of information requested loan repayment loan applicant to affected customers. The study also found that the banking factors strongly influenced the repayment of loans in the CRDB Bank.

In the factors of borrowers, the study established that there is a significant relationship between the factors of individual borrowers and the repayment of loans between customers of commercial banks in Tanzania. The study also established that the lack of financial education among borrowers has influenced the possibility of repayment of the loan. The study also revealed that the lack of experience that the client borrowed from the bank and the nature of the business influenced the repayment rate of the loan.
The study also revealed that the borrower's factors greatly influence the repayment level of loans between CRDB customers.

In the lending/loan factors, the study revealed that there is a significant relationship between lending factors and repayment of the loan among commercial bank customers in Tanzania. The study established that the interest rates charged on the loan and the grace period before the start of repayment affect the repayment of the loan. Also interviewed, the interviewees said that the proportion of the trading fees, the maturity date, the type of loan and the amount of the credited loan influenced the level of repayment of the loans in the CRDB Bank. The study also established that lending factors had an effect on repaying loans between commercial bank customers in Tanzania to a large extent.

5.3 Conclusion

This study concludes that lenders factors affect the repayment of the commercial banks in Tanzania. This implies that before extending loans, it should be lenders' role to assess credit worthiness of the borrowers though their past performance as well as prospective performance in terms of income projections.

The study also concludes that borrower's factors affect the repayment of the loan of commercial banks in Tanzania. Thus, evaluation of banks to borrowers is important and selects in order to select good borrowers and separate tem from bad ones. It is also equally important to monitor borrowers after extending loans so as to satisfy that they are utilizing the loan for intended use. This maximizes the chances that borrowers will repay their loans.

The study also concludes that the lenders factors affect the repayment of loan among of commercial banks in Tanzania. The causes of non-repayment include: inherent characteristics of borrowers and their businesses, characteristics of lending institution and systematic risk from the external factors.

5.4 Recommendations

From the findings and conclusion, It is study's recommendations that institutions extending loans should use not only efficient but also effective management of credit risk mechanisms so as to be satisfied that loans are extended to those who are able to repay and ensure that inside lending is minimized or limited. It is equally recommended that proper projections on loan defaults should be made and the importance of undertaking relevant measures in minimizing loan defaults should not be undermined.

It is further recommended by the study that ther is a need for commercial lending institutions to come together and establish a central information system that may assist cross checking all borrowers before extending loans to them.

Also, the need for compulsory supervision of the borrowers is another recommendation of this study. The importance of loan supervision is to ensure that the loan is utilized for intended purpose and is repaid on time. This will enable commercial banks to closely monitor the borrowers' performance. Training of the borrowers before and after receiving the loan is also important and it is recommended that such trainings should focus on areas such as management of the business and accountability of their business.

As another measure of mitigating non-repayment, it is also recommended that a good relationship between loan giver and loan receiver should be established and maintained. This can be in the form of advice to the borrower as well as frequent meetings, which are sought to strengthen their relationship. Apart from that, measures such as incentive to non-defaulters should also be though of.

Lastly, application of rigorous loan policies is also recommended. Such policies can include frequent communication between borrower and lender in order to cultivate the habit of borrowers to repay their loans.

5.5 Limitations of the Study

During this study, the researcher encountered several problems, the most Notable of which:

Time limits: the time allocated to perform the search was Not adequate to obtain more relevant results, since it did Not allow the researcher to study a much larger and more representative sample size and, therefore, allowed the researcher to study a more representative small sample.

Respondents' Society: Respondents were Not very willing to disclose all the required information on the basis of the study and some owners had appropriate programs that allowed them to answer the required questions. An additional effort was made to obtain information on how to go after work hours.

Budgetary / financial constraints: the study was conducted on a very limited budget due to the scarcity of research funds assigned to the researcher and, therefore, prevented the experimenter from exceeding the budget limits.

5.6 Areas for Future Research

A study ought to be carried out to investigate the factors determining poor loan repayment in Tanzania. There is a need to undertake a study on the problem facing borrowers in accessing finance in Tanzania.

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APPENDIX

Appendix I: Questionnaires

Hello Respondent, I am a student at Open University of Tanzania pursuing a Master of Business Administration in Leadership and Governance. I am conducting a study in the factors Determining Poor Loan Repayment in Tanzania. The information obtained will help me fulfill the requirement for the Award of the Degree and will be kept confidential for academic purposes only.

DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

1. Gender of the respondent: (a) Male (b) Female (   )

2. Age of respondent (a) below 20 (b) 21-45 (c) 46-55 (d) Above 56 (   )

3. Respondent's education level (a) Illiterate (b) primary school (c) Secondary school (d) college degree/university

4. What is the Duration with bank services? (a) Less than1year (b) 1-5 years   c) 6-10 d) more than 10 years (   )

Part II: The perception of the Responses on the factors dertermining poor loan repayments

5. Lenders factors

5.1 Does the time taken for loan approval affect loan repayments

(a) Agree (b) Disagree (   )

5.2 Does the Poor Monitoring levels of loan affect loan repayments?

(a) Agree (b) Disagree (   )

How?...

5.3 At what Extent Bank factors affect loan repayment?

(a) No extent (b)small extent (c) moderate extent (d) great extent. (   )

6. Borrowers factors

6.1 Does the Nature of business affect loan repayment?

(a) Agree (b) Disagree (   )

6.2 Does the training and financial managerial skills affect loan repayments?

(a) Agree (b) Disagree (   )

How?...

6.3 Misallocation of money causes the poor loan repayment?

(a) Agree (b) Disagree (   )

6.4 Lack of experience in borrowing affects loan repayment?

(a) Agree (b) Disagree (   )

6.5 At whatExtent borrowers factors affects loan repayment?

(a) No extent (b)small extent (c) moderate extent (d) great extent. (   )

7. Loan factors

7.1 Does the Interest rates charged on the loan affect loan repayments?

(a) Agree (b) Disagree (   )

7.2 Does the of grace period provided by bank affect loan repayments?

(a) Agree (b) Disagree (   )

8. Suggestion ways of improving loan repayment……………………………………….