

**FACTORS INFLUENCING LOAN REPAYMENT AMONG
SAVINGS AND CREDIT COOPERATIVES SOCIETIES
(SACCOS): A CASE OF CHAMIHADO SACCOS, DODOMA
TANZANIA**

By

Josamu Kengia

**Dissertation Submitted in Partial Fulfillment of the Requirements for the
Award of the Degree of Master of Business Administration of University of**

Dodoma

The University of Dodoma

October, 2015

CERTIFICATION

The undersigned certifies that, he has read and hereby recommends for an acceptance by the University of Dodoma a dissertation titled: “*Factors Influencing Loan Repayment among SACCOS Members in Dodoma Municipality*” in partial fulfillments of the requirements for the awards of Masters in Business Administration at the University of Dodoma.

Signature.....

Dr. Amani Tegambwage

(SUPERVISOR)

Date:

DECLARATION AND COPYRIGHT

I Josamu Kengia, 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.....

No part of this dissertation may be reproduced, stored in any retrieval system, or transmitted in any form or by any means without prior written permission of the author or the University of Dodoma.

DEDICATION

This study is devoted to my elegant mother (Dorah Kengia) for her tireless support and cooperation in my entire career life. Likewise to Mr and Mrs (Dr James Kengia) you have always been supporting, encouraging and praying for me for successful completion of my studies at the University of Dodoma. God bless you all.

ACKNOWLEDGEMENTS

Above all, thanks, Glory and honor be to the Almighty God, whose grace has sustained me and made this study come to a reality. This piece of work has involved time, patience, efforts, faith, commitment and encouragements of many people. A number of persons have been involved in making this work to be successful. I am grateful to all of them however the following need a special appreciation.

My sincere and axiomatic gratitude be to Dr Amani Tegambwage (Supervisor) who has supervised this dissertation and played a fundamental role in this study. Furthermore, he greatly supported me in this study and was always there, when I needed him, giving me a valuable advice and encouragements.

Furthermore, my deepest thanks to the staff and Members of CHAMIHADO in Dodoma Municipality, who helped to clarify and straighten out a number of points and contributed constructive views. I am also grateful to the Dean of the School of Business Studies and Economics, Head and all members of staff in the Department of Business Studies, who concretely contributed in different ways to my development as a student in Business Studies. Thanks also are extended to my fellow students for their valuable criticism, advice, and encouragements during the study.

In addition, my sincere thanks are extended to my stunning mother (Dorah Kaluse) and brother Dr James Kengia for their moral and financial support during my studies and the preparation of this report. Without forgetting thanking, my family members since they missed me from time to time during this hard period of my research work with many trials. However it should be noted that any shortcomings on this research are entirely belong to me.

ABSTRACT

This study assessed the factors influencing loan repayment among SACCOS members, specifically in CHAMIHADO SACCOS in Dodoma Municipality. It was guided by three specific objectives namely: to understand the loan process of CHAMIHADO SACCOS members, to assess the loan repayment rate among members and to determine factors influencing loan repayment among CHAMIHADO SACCOS members.

The sample size of 88 respondents were employed whereby simple random sampling and purposive sampling techniques were employed, to select the respondents, data were collected by using both social survey and personal interviews, whereas questionnaire, interview guide and documentary review were employed as tools for data collection. The collected data were analyzed by using descriptive statistics and qualitative analysis.

Findings revealed that, the processes followed by CHAMIHADO SACCOS members to secure loans are: To have savings and must be members of the SACCOS as well as having guarantors who also were members of CHAMIHADO SACCOS. Moreover, findings have revealed the loan repayment rate among CHAMIHADO SACCOS members as follows the majority 68% paid their loans on time followed by those who paid out of time 28% and 4% of them who failed to pay the loan totally. Further, findings have revealed that, most factors which affected loan repayments among CHAMIHADO members were low income among members, low level of education, the number of dependants, borrower's experience and the amount of loan receipts.

Basing on the findings from this study, the following recommendations are made: entrepreneurship skills should be provided by CHAMIHADO SACCOS to their borrowers before giving them loans. There also should be a regular follow up to the CHAMIHADO SACCOS members and should ensure a proper allocation of their loans so as to avoid defaults.

TABLE OF CONTENTS

CERTIFICATION	i
DECLARATION AND COPYRIGHT	ii
DEDICATION.....	iii
ACKNOWLEDGEMENTS.....	iv
ABSTRACT	v
TABLE OF CONTENTS.....	vi
LIST OF TABLES	ix
LIST OF FIGURES	x
LIST OF APPENDICES.....	xi
LIST OF ABBREVIATIONS AND ACRONYMS	xii
CHAPTER ONE.....	1
INTRODUCTION AND BACKGROUND TO THE STUDY	1
1.1 Chapter Overview.....	1
1.2 Background to the Study	1
1.3 Statement of the Problem	3
1.4 Research Objectives	3
1.4.1 General Objective.....	3
1.4.2 Specific Objectives.....	4
1.5 Research Questions	4
1.6 Significance of the Study.....	4
1.7 Scope of the Study.....	5
1.8 Organization of the Study.....	5
CHAPTER TWO	6
LITERATURE REVEIW.....	6
2.0 Chapter Overview.....	6
2.1 Theoretical base and Definition of Key Terms and Concepts.....	6
2.1.1 The Concept of SACCOS.....	6
2.1.2 The Concept of Loan/Credit.....	7
2.1.3 The Concept of Loan/Credit Default.....	8
2.1.4 The Concept of Loan Repayment.....	8
2.1.5 The Concept of Cooperative Society.....	9
2.1.6 The Concept Microfinance.....	10

2.1.7	The Concept of Poverty.....	11
2.1.8	Credit Rationing	11
2.1.9	Saving and Credit Perspective.....	12
2.2	Empirical Review	13
2.3	Conceptual Framework	17
CHAPTER THREE		19
RESEARCH METHODOLOGY		19
3.0	Chapter overview.....	19
3.1	Study Area	19
3.2	Research Approach.....	21
3.3	Research Design	22
3.4	Target Population	22
3.5	Sampling Techniques	23
3.6	Sample Size	23
3.7	Sources and Types of Data	24
3.7.1	Primary Data.....	24
3.7.2	Secondary Data.....	24
3.8	Methods and Tools for Data Collection	25
3.8.1	Questionnaires	26
3.8.2	Interview Guide	27
3.8.3	Documentary Review	28
3.9	Data Processing and Analysis	28
3.10	Validity and Reliability	29
3.10.1	Validity	29
3.10.2	Reliability	29
3.11	Research Ethics	30
CHAPTER FOUR.....		31
RESULTS AND DISCUSSION		31
4.1	Chapter Overview.....	31
4.2	Demographic Characteristics.....	31
4.2.1	Sex	31
4.2.2	Age	32
4.2.3	Marital Status.....	32

4.2.4	Level of Education	33
4.2.5	Occupation.....	33
4.2.6	Borrowing Purposes	34
4.2.7	Tenure of Business Operations.....	35
4.3	Loan Process of CHAMIHADO SACCOS Members.....	35
4.3.1	Conditions for Securing Loan	36
4.3.2	Terms for Loan Repayment.....	36
4.3.3	Period of Pay Back Loan.....	37
4.3.4	Steps should be Followed so as to Get a Loan.....	37
4.4	Loan Repayment Rate among CHAMIHADO SACCOS Members.....	38
4.5	Factors Influencing Loan Repayment Performance among CHAMIHADO Members	39
4.5.1	Low Income.....	39
4.5.2	Education Level.....	40
4.5.3	Number of Dependants.....	41
4.5.4	Borrowers' Years of Experience	42
4.5.5	Amount of Loan Receipts.....	43
4.5.6	Other Factors Influencing Loan Repayment Performance.....	45
4.5.7	Possible Measures to Overcome Challenges Associated with Loan Repayment among SACCOS Member	46
CHAPTER FIVE.....		48
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....		48
5.1	Chapter Overview.....	48
5.2	Summary of the Findings	48
5.2.1	Loan Process of CHAMIHADO SACCOS Members.....	48
5.2.2	Loan Repayment Rates among CHAMIHADO SACCOS Members	49
5.2.3	Factors Influencing Loan Repayment among CHAMIHADO SACCOS Members	49
5.3	Conclusion.....	50
5.4	Recommendations	50
5.5	Areas for Further Studies.....	51
REFERENCES.....		52
APPENDICES		59

LIST OF TABLES

Table 3.1: Sample Size, Technique and Data Collection Methods.....	24
Table 4.1: Sex.....	31
Table 4.2: Age of Respondent.....	32
Table 4.3. Marital Status	33
Table 4.4: Level of Education.....	33
Table 4.5: Occupation	34
Table 4.6: Borrowing Purposes.....	34
Table 4.7: Duration of Business Operation.....	35
Table 4.8: Loan Process Trend in CHAMIHADO SACCOS From 2010 to 2014 ...	38
Table 4.9: Low income	40
Table 4.10: Level of Education.....	41
Table 4.11: Number of Dependant.....	42
Table 4.12: Borrowers' Years of Experience.....	43
Table 4.13: Amount of Loans	44
Table 4.14: Other Factors Influencing Loan Repayment Performance	45
Table 4.15: Possible Measures to Overcome Challenges	46

LIST OF FIGURES

Figure 2.1: Conceptual Framework of the Study	18
Figure 3.1: Map of Dodoma Urban District.....	21

LIST OF APPENDICES

Appendix I: Questionnaire for Respondents	59
Appendix II: Interview Guide for Key Informants	64
Appendix III: Names of SACCOS Found in Dodoma Municipality	65

LIST OF ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis on Variance
BOT	Bank of Tanzania
CBE	College of Business Education
CBO	Community based Organization
CFDE	Cooperative Finance Developing Economics
CHAMIHADO	Chama cha Mikopo Halmashauri ya Dodoma
COPAC	Cooperative and Policy Alternative Centre
CRDB	Co-operative and Rural Development
DMC	Dodoma Municipal Council
DW	Durbin Watson
FAO	Food Agriculture Organisation
GD	Green Bank
ILO	International Labour Organisation
IRDP	Institute of Rural Development Planning
KIFISACCOS	Kibaigwa Financial Services and Credit Cooperative Society
MBA	Master in Business Administration
MDG	Millennium Development Goal
MFI	Microfinance Institutions
MFI	Microfinance Institutions
MKUKUTA	Mkakati wa Kukuza Uchumi na Kupunguza Umaskini
MOFT	Ministry of Finance and Treasury
MRI	Mineral Resource Institute
ND	No Date
NENA	Near East and North Africa
NGO	Non –Governmental Organization
NMB	National Microfinance Bank
SACCOS	Savings and Credits Cooperative Societies
SJUT	St. John’s University of Tanzania
TCDP	Tanzania Cooperative Development Policy
Tshs	Tanzanian Shillings
UDOM	University of Dodoma

UNDP	United States Development Programme
URT	United Republic of Tanzania
USD	United States Dollars
VIF	Variance Inflation Factor

CHAPTER ONES

INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 Chapter Overview

This chapter discusses factors influencing loan repayments among SAVINGS AND CREDIT COOPERATIVE SOCIETIES (SACCOS) members specifically in CHAMIHADO Savings and Credit Cooperative Society. It has focused on the background to the study, statement of the problem, objectives of the study, research questions, and the significance of the study as well as the organization of the study.

1.2 Background to the Study

The success/failure of a SACCOS, relies on its financing from its members as well as its loan recovery performance (Kaleshu, 2006). A SACCOS is required to meet their member's socioeconomic objectives at the same time, maintaining its financial viability. Its success/failure in members financing as well as its financial position therefore, relies on its loan recovery performance. A study conducted in USA 2007 646, revealed that a total of 4631 out of 8269 SACCOS equal to 56%, failed and its sustainability and profitability were affected with loan delinquency and defaults from borrowers. They could not withstand the combined pressure of rising interest costs on their deposits as well as their huge investment, into old fixed-rate and low-yielding mortgage. Their profits plummeted and eventually turned into substantial losses (Kaleshu, 2006).

In the Africa context, the problem of loan delinquency and defaults in SACCOS has a long history. Studies conducted by United States Agency for International

Development (USAID) in Uganda revealed that, Uganda's SACCOS had a weak financial system for screening credit worthy borrowers as well as tracking delinquent loans at loan officer level, aging arrears at the management level and authorisation bad debt write –off at the board level (USAID, 2006).

SACCOS in Kenya, in their struggle to achieve its objective have been able to mobilize over Ksh.200 billion but the main sources of credit risks for SACCOS in Kenya include an inappropriate credit policies and lack of competent staff which resulted into poor assessment, lending practices and follow-up of the credits (Evans, 2001).

In the Tanzanian context, we have experienced SACCOS institutions being formed, growing, thriving and then collapsing (ACOSCA, 2000). According to the Ministry for Agriculture, Food Security and Cooperatives (2008) which shows that, by December 2008, there were 5,230 registered SACCOS in Tanzania serving 773,172 members with savings worth Tsh 119,512,546,118.00, shares of Tsh 30,020,952,124.00, loans issued were Tsh 354,670.593.368.00 and loans outstanding were Tsh 136,964,269,717.00. It has also been recognized that, some of these SACCOS were weak in credit rationing and in making follow up on loan repayments at the right time especially those in rural areas, thus resulting into loan delinquency and hence affecting profitability and sustainability of SACCOS (ICA, 2001).

The default problem mentioned, necessitates the need for making an empirical investigation on the factors behind the default problem so that, the lending unit in SACCOS could make an appropriate precaution in its lending decision as well as

revise, its screening criteria in order for the potentially credit worthy borrowers not to be rationed wrongly, to ensure that, organization's finance are utilized productively (Gwahula, 2013). This study is an attempt to that end.

1.3 Statement of the Problem

Most SACCOS in Tanzania suffered from weak internal control systems and a high non-performing loan (Maghimbi, 2010; Bibi, 2006). This situation Lead into loan delinquency, affecting profitability and sustainability of SACCOS (ICA 2001). In 2009,majority of SACCOS in Tanzania had a huge overdue loans(Karumuna and Akyoo, 2011). For example Kibaigwa Financial Services and Credit Cooperative Society (KIFISACCOS) in Dodoma region had defaulted loans of Tanzanian Shillings (Tsh) 762,500,000 (equivalent to 76%) which led to its collapse (Karumuna and Akyoo, 2011). In order to ensure SACCOS in Tanzania were profitable and sustainable and thus contributed to the government's effort to reduce poverty, it is vital to investigate factors that influenced loan repayment among their members. Therefore; the objective of this study, was to analyse factors influencing loan repayment among SAVINGS AND CREDIT COOPERATIVES SOCIETIS.

1.4 Research Objectives

Research objectives categorized into two parts; namely general objective and specific objectives.

1.4.1 General Objective

The general objective of this study, was to examine factors influencing loan repayments among SACCOS members in CHAMIHADO SACCOS.

1.4.2 Specific Objectives

The study specifically intended:

- i. To understand the loan process of CHAMIHADO SACCOS.
- ii. To assess the loan repayment rate, among CHAMIHADO SACCOS members.
- iii. To determine factors influencing loan repayment among CHAMIHADO SACCOS members.

1.5 Research Questions

In order to achieve the specific objectives of this study, the following research questions guided it.

- i. What are the loan processes of CHAMIHADO SACCOS?
- ii. What is the loan repayment rate among CHAMIHADO SACCOS members?
- iii. What are the factors influencing loan repayment among CHAMIHADO SACCOS members?

1.6 Significance of the Study

Findings from this study would add knowledge for other academicians and scholars, concerning factors influencing loan repayment among SACCO's members. Moreover; Findings would enhance policy makers to formulate informed policies, which would contribute in improving loan repayments among SACCO's members.

Furthermore; Findings from this study will be used by government for an improvement of loan repayment mechanism, which would enhance the sustainability of SACCOS in the study area and Tanzania as whole. Findings also would bridge the knowledge gap on factors influencing loan repayments among SACCOS members in Tanzania.

1.7 Scope of the Study

The study has based on the exploration of factors influencing loan repayments among SACCOS members. It was conducted at CHAMIHADO SACCOS in Dodoma region.

1.8 Organization of the Study

This study contains five chapters, including chapter one for introduction and the background of it, chapter two based on the literature review of matters related to the study topic done by previous scholars, which include a review of key concepts, theoretical part, empirical reviews, as well as a conceptual framework.

Three focused on methodological part of this study including study area, research design and approach, sampling techniques and sample size, data collection methods and tools, data analysis as well as the issues related to data credibility like validity and reliability and research ethics.

Four dealt with analysis, presentation and discussion of the findings that were employed in this study.

The last chapter (chapter five) presents the summary, conclusions and recommendations from the study as well as suggested areas for further studies.

CHAPTER TWO

LITERATURE REVIEW

2.0 Chapter Overview

According to Barley (1999), review of literature refers to the process of identifying, reading, evaluating, summarizing and incorporating in your study documents having materials, which are related to the problem under investigation. This chapter, deals with the definitions of key terms, theoretical perspectives, and the empirical review of literature and then summarizes the conceptual framework that guided the study.

2.1 Theoretical base and Definition of Key Terms and Concepts

This section, provides theoretical base and definitions of the terms used in this study.

2.1.1 The Concept of SACCOS

Savings and Credit Cooperative Society (SACCOS), is a credit union which is a user-owned micro-finance institution that offers small scale financial services for savings, loans and on demand deposits (Marian, 1994). According to the United Republic of Tanzania-Cooperatives Societies Act, 2003, a SACCOS is a member driven, self-help cooperative which is democratic in nature in which members, are supposed to be both the owners and the users of the services available. Members agree to save money together and to grant loans to each other at an agreeable rate of interest. Most of the benefits to members are associated with the level of savings (URT, 2003).

According to the Cooperative Development Policy (CDP) in Tanzania, it is stated that as part of the initiatives to eradicate poverty, micro-financing services have become one of the important sources of finance to the poor to expand their business and productive activities. However, the establishment and development of Savings and Credit Cooperative Societies (SACCOS) in rural areas has been slow. Most Savings and Credit Cooperative Societies (SACCOS) have been established in urban areas and at work places. As a result, members of agricultural marketing primary cooperatives have found it impossible to save money that could have enabled them to buy shares and thereby increase the capital of their cooperatives (URT, 2008).

In terms of the supply of financial services, banks and other formal financial institutions tend to have a very low level of penetration in the rural areas, primarily driven by the tendency for most bank branches to be located in areas with high population densities and high market activity. The rapid increase in mobile phone usage in Tanzania, may create an opportunity for expanding formal financial services, though expectations of what remote access can deliver in the near future, will need to be kept within reasonable bounds. More immediately, a number of commercial banks provide wholesale funds for on-lending via SACCOS or via regional community banks, though this is predominantly in urban or peri-urban areas. Similarly, NGO-MFIs are more concentrated in the urban and peri-urban microfinance markets (Marian, 1994).

2.1.2 The Concept of Loan/Credit

The terms loan and credit are used interchangeably. The study adopts the credit definition of Aryeetey (1995), who defined credit as an arrangement in which a

lender gives money to a borrower, and the borrower agrees to repay the money, usually along with interest, at some future point(s) in time. He also adds that, there is a predetermined time for repaying a loan, and generally the lender has to bear the risk that the borrower may not repay a loan.

2.1.3 The Concept of Loan/Credit Default

The study adopted the definition of Abel and Eberly, (2004) who defined credit default as the failure of the borrower to repay loan in accordance with the terms of the lender.

2.1.4 The Concept of Loan Repayment

Loan repayment, refers to a situation of pay back money that you have borrowed from an individual, groups or financial institutions. It is the act of paying back money previously borrowed from a lender. Repayment usually takes the form of periodic payments that normally include part principal plus interest in each payment. The other common method of repayment is a lump sum with interest at maturity (Wenner, (2010).

Arene (1992) outlines the main factors that determine loan repayment performance as loan size, enterprise size, income, age, number of years of business experience, the distance between home and source of loan, education, household size, adoption of innovations, and credit needs. Von Pischke (1980), identified two problems as major causes of poor loan recovery performance: credit project design problems 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 results which occur in the field), book keeping convenience versus borrower cash flow patterns, collection mechanism, institutional scope or range of services offered and interest rates.

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 (ibid). Findings above have revealed that, the probability of loan repayment depends on the borrowers' specific characteristics (i.e. 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 disbursements) and other factors such as political influence, technical advice, level of social cohesion (for micro enterprises).

2.1.5 The Concept of Cooperative Society

A cooperative society, is defined as an association of persons who have voluntarily joined together, for the purpose of achieving a common need through the formation of democratic, controlled organization and who make an equitable contributions to the capital required, for the formation of such an organization and who accept the risk and the benefits of the undertaking, which they actively participate (URT, 2003).

2.1.6 The Concept Microfinance

Micro finance, refers to the provision of financial services to low-income people both in rural and urban areas at more affordable terms (Evers *et al.*, 2000).

Microfinance, refers a to Small-scale financial services-primarily credit and savings provided to people who farm or fish or herd; who operate small enterprises or micro enterprises where goods are produced, recycled, repaired; who promote services; who gain income from renting small amounts of land, draft animals, or machinery and tools to other individuals and groups, at the local level of developing countries, both rural and urban (Marguerite, 2001).

Microfinance institutions, are faced with four major problems in the course of undertaking credit activity(a) to ascertain what kind of risk the potential borrower is (adverse selection), (b) to make sure the borrower will utilize the loan properly once made, so that, she/ he will be able to repay it (moral hazard), (c) to learn how the project really did in case the borrower declares his inability to repay and (d) to find methods to force the borrower to repay the loan if the borrower is reluctant to do so (enforcement) (Ghatak and Guinnane, 1999). The key elements of effective credit management therefore, are well developed credit policies and procedures; strong portfolio management; effective credit controls and the most crucial of all, a well trained staff that are qualified to implement the system (Vigano, 1993).

2.1.7 The Concept of Poverty

Poverty, has various manifestations including a lack of income and productive resources sufficient to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased mobility and mortality from illness; homelessness and inadequate housing; unsafe environments and social discrimination and exclusion. It is also characterized by lack of participation in decision making and in civil, social and cultural life (Triodos, 2011). In developing countries Tanzania being among them, the majority of the population lives in rural areas and mainly involved in agricultural production. In this case, an improvement of rural livelihoods will depend on an access to financing to support agricultural production.

2.1.8 Credit Rationing

Credit rationing, is broadly defined as a situation where the demands for loans exceed the supply of loans at the going interest rate. Different types of credit rationing have been examined in the literature. Padmanabhan, (1981) saw it from the angle of loan size, where borrowers receive a lesser amount of loan than they requested at a given loan rate. Credit rationing, as defined by Jaffee (1971) as the difference between the quantity of loans demanded and loans supplied at the ruling interest rate.

Jaffe and Stiglitz (1990), further broadened the classification and identified three types credit rationing.

These are;(a) A situation where a borrower may receive a loan of smaller amount than desired;(b) A situation where some individuals cannot borrow at the interest rate they consider appropriate, based on what they perceive to be their probability of default and (c) A situation where a borrower may be denied credit, when a lender thinks of not being able to obtain its required return at any interest rate. The concept that will be addressed in this study, is the first type of rationing where a borrower receives a loan of smaller amount than desired.

2.1.9 Saving and Credit Perspective

The idea of savings and credit as it is known to day, originated in German where Fredric W. Reiffeisen, mayor of flamer's field, organized a rural savings and credit in 1846. This was a year of economic crisis and famine. His aim, was to assist the poor in an attempt to alleviate their financial problems. He asked them to cooperate by pulling together their meagre savings and lending to each other at a low rate of interest. The idea worked like magic, people worked hard and the savings and credit society proved success (ACCOSCA, 1980).

In 1885, the idea was introduced to Australia and other countries of Europe where the institutions were called people's Bank. In 1892, France picked up the idea and was known as mutual credit mutual.

The idea was introduced to the United States by Edward. A. Dilenes in 1909. In US the idea was known as credit union. Then, the idea spread to Latin America and Asia (ibid). Credit unions idea was introduced to Africa, particularly Ghana in 1955 by a White Fathers missionary called Rev. Fr. Macunttly. It was the first credit union in Africa (ibid).

In Tanzania, Savings and credit co- operatives began during the early days of the colonial period, mainly by Asians and later by religious leaders. The late Cardinal Laurian Rugambwa and Mr. Joseph Mutayoba, were the first pioneers of the idea of credit unions in Tanzania (Parrot, 1995).

After the Tanzanian's independence in 1961, the Roman Catholic Church in alliance with other international organizations carried out a campaign calling people to engage in the formation of such societies. The call, went to the extent that scholarships were granted to study in the United State of America and Canada, on how savings and credit co- operatives were organized and managed as a result, many SACCOS were registered. Moreover, during this period from Canada- Nova Scotia was stationed at Nyegezi social training institute, where he managed to design and come up with the first by- laws of these types of societies in the country (Rilley, 1969)

SACCOS in Tanzania, are ones of the institutions in the emerging micro-finance industry dedicated to serve the financial needs of the marginalized poor people, who cannot have an access to financial services of main stream existing commercial banks and other financial institutions.

They are regarded as the way of making the disadvantaged poor households, to participate in sharing the national cake through involving them into productive activities, which can be properly devised by using an appropriate financial services.

2.2 Empirical Review

This section, reviews various studies done by the previous researchers concerning factors, influencing loan repayment among SACCOS members in order to identify

the knowledge gap to be filled. Findings shown in various studies, are here categorized into those studies done in other developing countries against those conducted in Tanzania. The following studies have depicted factors influencing loan repayment among SACCOs members in Africa and various parts of the world.

Haque *et al.*, (2011), in their study carried out in Bangladesh which applied the multivariate regression model and found out that, age influenced negatively on loan repayment performance for small business owners, farmers and fishermen. The study also noted that, the amount of loan receipts contribute positively to loan repayment. Moreover; Ojiako and Ogbukwa (2012) in their study carried out in Nigeria, analysed loan repayment capacity of the smallholder cooperative farmers by using descriptive statistics, correlation and regression techniques whereby they revealed that, the average age and repayment rate of borrowers were 43 years and 44% respectively.

Furthermore; Addisu (2006), in his study carried out in Ethiopia revealed that; there was a positive influence of education on loans repayment performance for fishermen and informal sector borrowers.

Duy (2013), in his study carried in Vietman also compared the loan repayment performance of farmers and non-farmers borrowed from SACCOs by using a tobit model and the study findings revealed that, loan repayment performance was positively affected by the gender of borrowers.

Oni *et al.*, (2005) in their study carried out in Ghana, applied multivariate regression and probit model found out that, income of the farmers had a positive influence on loans repayment performance. Similarly, Vasanthi and Raja, (2006), in their study

carried in Australia used descriptive and logit model showed that, lower income was one of the major factors causing loans default for housing borrowers. Likewise, Gómez and Santor (2008) used descriptive statistics and a standard probit model to study if the SACCOS lending model actually work in Nova Scotia, Canada and they revealed that, the ratio of household income to loan payment was higher for group than individual borrowers (16.9 vs. 12.5 percent). They also noted that, borrowers who knew more of their fellow members before forming the peer group were less likely to default. Moreover, they revealed that, individuals with greater social ties were less likely to default than others who did not belong to an association, club, or sports team.

Vasanthi and Raja (2006) in their study carried out in Australia revealed that, there was a negative influence of the number of dependants and the loan default risk for housing borrowers.

Likewise; Kohansal *et al.*, (2011) in their study carried out in Iran, revealed that, there was a positive influence of borrowers' years of experience on loan repayment performance for farmers and fishermen.

Mansoori (2009), in his study carried out in Iraq, used a logit model and a cross sectional data find that, collateral affected positively the repayment performance while number of installments and total loan application fees, affected negatively the repayment of agricultural loans.

Trà *et al.*, (2009) in their study conducted at Vietnam and Iran borrowers respectively revealed that, loans interest rates influenced positively on the loans default.

Similarly; Sileshi *et al.*, (2012) assessed factors influencing loans repayment in Ethiopia by using descriptive statistics and two limit tobit regression model and revealed that; 71.4% and 28.6% of borrowers, were partial and complete non- loans defaulters respectively. They also find that; agro ecological zone, off-farm activity and technical assistance from extension agents, influenced positively while the production loss, informal credit, social festival and loan-to-income ratio negatively influenced the loan repayment of smallholder farmers in Ethiopia. . Al- Mamun *et al.*, (2011), employed a structural equation model to examine the household factors affected repayment performance in Malaysia whereby, they reveal that, more than 50% of the SACCOS members defaulted their credits because they allocated their credits in non-income generating activities.

Furthermore, Nawai and Shariff (2010), used a literature review to analyse the determinants of loan repayment performance in SACCOS programs and they stated that, repayment problems become the main obstacle for the SACCOS continue providing microcredit services. Their study also disclosed that, determinants of loan repayment performances in SACCOS can be divided into four factors namely, borrower characteristics, firm characteristics, loan characteristics and lender characteristics.

Addisu (2006), applied a descriptive, multivariate regression and logit analysis to assess the SACCOS repayment problems in Addis Ababa (Ethiopia) and found out that, Government owned and NGOs microfinance institutions, were found to have a high default rate because they perceived risk as a grant and not a liability.

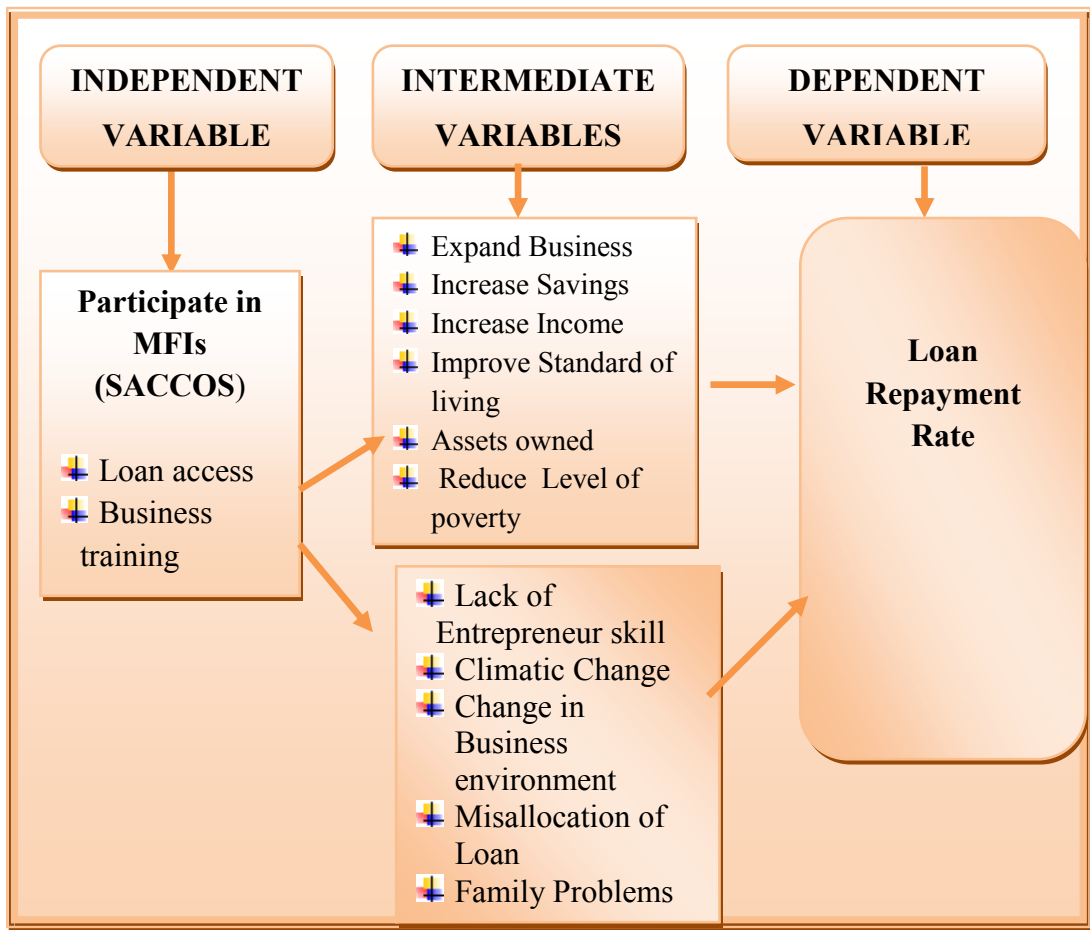
Kithinji (2010), used a descriptive and regression model to assess the relationship between the credit risk management and profitability for SACCOS in Kenya and found out that, the main sources of credit risks for SACCOS in Kenya include inappropriate credit policies and lack of competent staff, which resulted into poor assessment, lending practices and follow-up of the credits.

Maghimbi (2010) and Bibi (2006) disclosed that, most SACCOS in Tanzania suffered from a weak internal control systems and high non-performing loans because of ineffective loans management. Karumuna and Akyoo (2011) revealed that, one SACCOS in Kongwa district, in Dodoma region i.e Kibaigwa Financial Services and Credit Cooperative Society (KIFISACCOS) had defaulted loans of Tanzanian Shillings (Tsh) 762,500,000 (equivalent to \$610,000) in 2009 because of poor management of loans. Wenner, (2010) urges that, since rain fed agriculture is the main activity for many people, it is more risky to lend them.

2.3 Conceptual Framework

Figure 2.1, summarizes the variables that were used to assess the factors influencing loan repayment among SACCOSS members. The variables are as follows;

Figure 2.1: Conceptual Framework of the Study



Source: Developed by Researcher Based on Literature Review, 2015

Figure 2.1 above illustrate conceptual framework that guided this study. When an individual participate in MFIs (SACCOS) this is independent variable. The outcome of individual after participating in a SACCOS (Intervening Variables) this means that; individuals after participate in SACCOS they could get a loan and access business training so as, to expand their business, increase savings, increase income, improve standard of living, enhance asset owned and reduce poverty, hence, loan repayment on time (dependent variable) but if there is changes in climatic, changes in business environment, misallocation of loans, the increase number of dependants etc. would lead to delay in repayments, failure to repay and bankrupt (dependant variables).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Chapter overview

This chapter, represents the way the study was conducted and the rationale for choosing the study area, research approach, design, targeted population, sampling techniques and sample size. Data collection methods and techniques, data analysis methods and the issue of data credibility as well as research ethics are presented.

3.1 Study Area

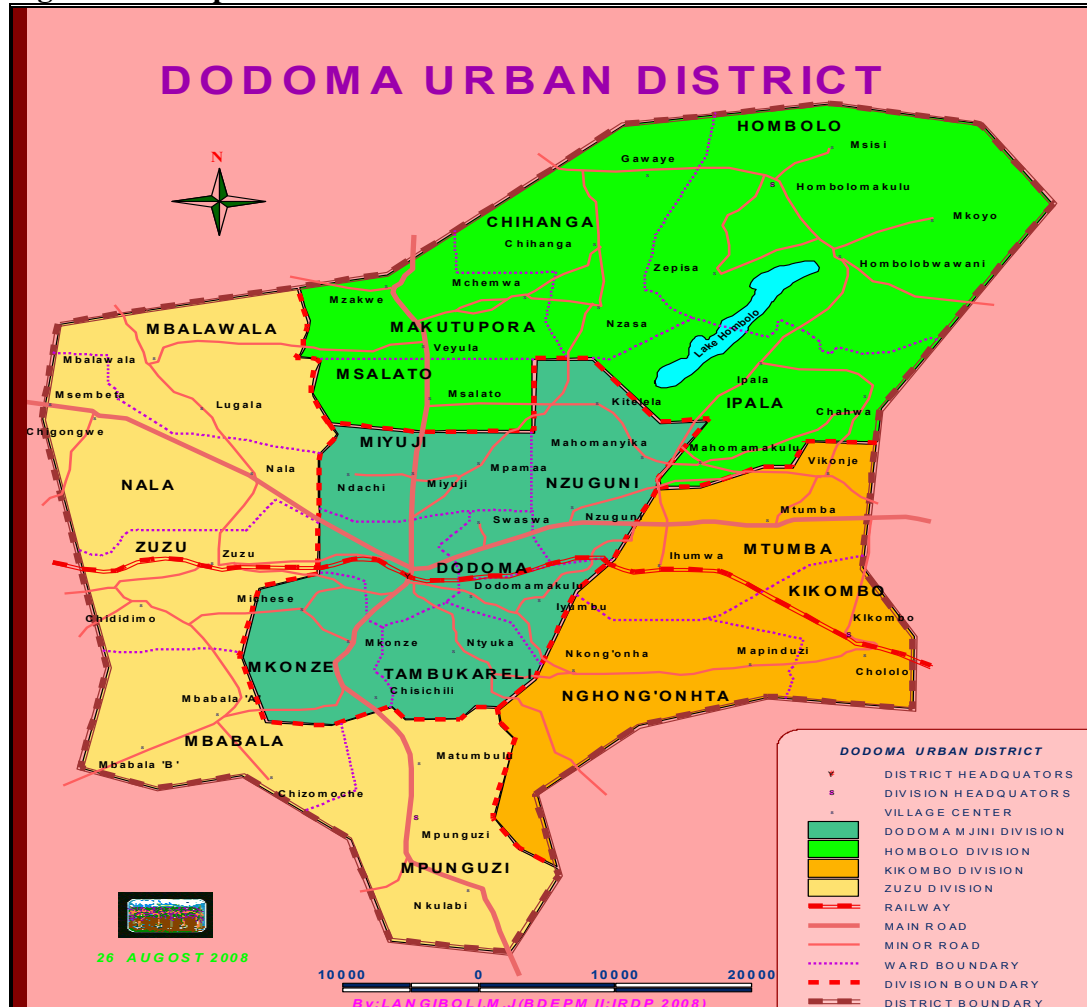
A study area is a place where the study is going to be conducted (Ndunguru, 2007). In this study, Dodoma Municipality was chosen as the study area, this area was selected because of two main dimensions. Dodoma being the Capital City of Tanzania it is expected that government offices, embassies and other institutions will be established. Thus, SACCOS have to provide quality services that would go hand in hand as a labeled a capital city, therefore; since CHAMIHADO SACCOS is based in Dodoma Municipality, it was worth for the researcher to select Dodoma Municipality as study area. Secondly, Dodoma Municipality is the second fastest growing settlement in Tanzania after Mwanza, possibly due to the increase in the number of higher learning institutions such as the University of Dodoma (UDOM), St. John's University of Tanzania (SJUT), College of Business Education (CBE), Mineral Resource Institute (MRI) and Institute of Rural Development Planning (IRDPA) (DMC, 2015).

With such fast growths, even the financial institution services offered need to improve, with the changes in population. It is with this connotation that, the research was conducted in Dodoma Municipality so as to evaluate factors influencing loan repayment among SACCOS members because Dodoma Municipality is one of the region, where loan repayment rates is low among SACCOS members.

Dodoma Municipality is located in the centre of the country. It is boarded by Chamwino district in the East and North, also Bahi district in the West and South. It lies between latitude 6.00° and 6.30° South, and longitude 35.30° and 36.02° East. Dodoma Municipal administratively is divided into one parliamentary constituency, 4 divisions, 37 wards, 39 villages, 100 streets and 222 hamlets. While the original inhabitants of the Dodoma Municipality are believed to be the Wagogo and Warangi, there are now a quite good number of mixed tribes from neighboring regions; this is due to trade and cultural relationships in the area. According to the population and housing census of 2012, Dodoma Municipality had 410,956 people of which male are 196,487 and females 211,469 with the households' size growth of 4.4. The number of households is 93,339, growth rate is 2.7%.

The Economic activities carried at Dodoma Municipal are agriculture, fishing activities, trading and industries activities (Dodoma Urban Profile, 2015). Dodoma Municipality has thirty (30) registered SACCOS including CHAMIHADO SACCOS which was registered in 2000 based on agriculture, manufacturing and social. It has 200, members including both males and females (See Appendix 3) (DMC Profile, 2015).

Figure 3.1: Map of Dodoma Urban



Source: Dodoma Urban Profile, 2015

3.2 Research Approach

The study has employed both qualitative and quantitative approach; in qualitative research data are analysed according to the understandings, opinions, and perceptions from the respondents (Barley, 1999). Qualitative research goes direct to the particular setting of interest to observe and data collection. Qualitative approach provided an in depth information which provided an in-deep understandings of the parameters underlying this study. The qualitative approach, was employed because it provided the room for the flexibility due to a verbal explanation and captures the image of the phenomena under study.

Moreover; Quantitative method was applied in this study whereas, it involved the generation of data in a numerical form which were subject to rigorous numerical analysis, in a formal and rigid fashion (Brayman and Bell, 2007). Thus, from this perspective, the method enabled the researcher to obtain detailed information regarding respondents' views and opinions, in terms of the numbering concerning the study topic.

3.3 Research Design

A research design, has been defined as the detailed blue print used to guide a research study towards its objectives (Rwegoshora, 2006). The function of the research design was to provide a paradigm, whereby a relevant evidence can be collected with a minimum expenditure of time, efforts and money. The study, employed a cross sectional survey research design in which, both descriptive and quantitative approaches were considered. It largely involved asking of questions to a representative sample of population at a single point in time. The cross sectional survey, was useful because data were gathered at once over a period of time in order to answer the research questions. The descriptive approach, was useful in describing the characteristics of the research variables. However, a quantitative method was useful in collecting data from a given number of respondents.

3.4 Target Population

The target population in this study included staff and customers of CHAMIHADO SACCOS. Customers were included in the sample because they were the recipients of the services offered by the SACCOS and thus were in a better position to give information regarding a snapshot of what they felt as far as the service rendered to

them was concerned, the challenges they faced and impeding factors to loan repayment in the study area. A suitable set of participants, were selected from a larger set of population for the purpose of the study. The selected sample of a population represented the characteristics of the whole population. The purpose of this sample was to study and gain information about the whole population.

3.5 Sampling Techniques

Based on the nature of the research and the methodologies that were employed, a purposive and simple random sampling method was employed during the study. CHAMIHADO Staff was purposely chosen because of their knowledge regarding the area of the study the study topic. A simple random sampling technique was used to select customers so that, they all provided specific views on the factors influencing loan repayment in CHAMIHADO SACCOS since they had enough experience concerning loan repayments in this SACCOS.

3.6 Sample Size

The study, employed sample size of 88 respondents whom included five (5) CHAMIHADO staff as key respondents, who were engaged in personal interviews and were senior officers in managerial positions because of their experience. Eighty three (83) CHAMIHADO customers also were included in this study since they are the one who received loans from this SACCOS. The sample size of 88 respondents also was appropriate to this study because according to Hogg and Tanis (1977) a sample size of 25 to 30 was enough for analysis and reporting purposes.

However, this study amplified the sample size to 88 in order to increase the accuracy of the findings (Salant and Dillma, (2000). Table 3.1below presents sample size, techniques and data collection methods and tools employed in this study.

Table 3.1: Sample Size, Technique and Data Collection Methods

Sample Categories	Sample Size	Sample Techniques	Data Collection Methods/Tools
CHAMIHADO Staff	5	Purposive Sampling	Interview/Interview Guide
CHAMIHADO Customers	83	Simple Random Sampling	Survey/Questionnaire
Total	88		

3.7 Sources and Types of Data

Sources of data in this study, were both primary and secondary, primary data are those which are collected afresh for the first time for the purpose of this study. Secondary data on the other hand are those which have already been collected by someone else (Kothari, 2004). In this study, both primary and secondary data were utilized.

3.7.1 Primary Data

Primary data are those data that are collected directly by the researcher from the field (Babbie, 1990). Primary data were obtained from the participants directly in the study. Tools used in this group of participants were questionnaire and interview. Information regarding snapshot of what they felt as far as the service rendered to them, were considered in a wider perspective.

3.7.2 Secondary Data

Secondary data on the other hand are those which have already been collected by someone else (Ojo, 2003).Secondary data were collected from CHAMIHADO

SACCOS included both published and unpublished articles. The researcher made this choice in order to have abundant sources, which in turn enhanced the reliability and the quality of the research results. When searching for secondary data, The University of Dodoma library was used as well as internet sources.

3.8 Methods and Tools for Data Collection

According to Kothari (2004), research method refers to the manner that the researcher uses in performing research operations. In a simple way, research methods refer to the all ways that a researcher uses to collect data in his/her research study. The different methods of data collection, helps to collect more information from different groups of respondents. The use of more than one method in data collection permits the researcher to combine the strength of each method while correcting some of the deficiencies, as to increase validity of data generated. Each method of collecting data has its own strengths and weaknesses, therefore; by using more than one data collection instrument, permitted the researcher to combine the strengths and correct some of deficiencies of using one source of data. For example, Dencin (1978) says: *“No single method adequately solves the problem of rival causal factors, because each technique, reveals different aspects of empirical reality, hence multiple methods must be employed”*.

Bryman (2008) provides for the research methods to be used in qualitative research; he mentioned the following research method; ethnography/participation observation, social survey, qualitative interviewing, discourse/conversation analysis and documentary analysis. This study has employed social survey and personal interview as method of data collection.

Personal interview defined simply as a conversation with a purpose, specifically; the purpose is to gather information (Denzin & Lincoln, 2000). Personal interview refers to the presentation of oral verbal stimuli and replied in terms of oral verbal responses (Mathison, 1994). In this study, face to face interview technique which employed was structured interview that used in order to get information which related with the investigated problem. Personal interview, was employed for the study of key informant respondents whereby, interview guide was used as tools for data.

Furthermore; social survey involves focusing a study on a particular population or phenomenon, in order to study some or all of its attributes and characteristics (Olatunde, 1994). In this study, the survey method was used because the sample size was big and the location of the study was large because data were collected within a few period of time. Survey was obtained data through observation or through direct communications with the respondents in one form or another (Groenewald, 2004). This survey method also, used questionnaire during collection of data combine both open and close ended questions.

3.8.1 Questionnaires

The questionnaires, comprised mixture of both open and closed-ended questions, which were administered to the selected respondents. Kothari (2004) comments that questionnaires in a research are instruments for gathering data beyond the physical reach of the observer. Questionnaires involved a set of questions used to collect information from the respondents on their attitudes, feelings, or reactions to the problem from the study area. This tool of data collection, ensures all respondents answered questions almost at the same time. Kothari (2004) added that in general,

the questionnaire is an economical method of data collection in terms of time and coverage as well as being free of researcher bias.

According to Rwegoshora (2006), a questionnaire administration allows free responses from respondents and call for short check-mark responses. The questionnaires covered two aspects which were demographic aspects such as age, sex, occupation, marital status and the education level of the respondents. Questionnaires were self administered to the selected eighty three (83) CHAMIHADO members. The researcher, made an appointment with the respondents to come back and collect the questionnaires on the agreed dates. Some questions were provided to respondents in the form of likert scale, in order for them to agree or disagree with the statement because it is an economical method of data collection in terms of time and coverage as well as being free of research bias. The purpose of using this approach, was to allow respondents to express their views independently hence maintaining free expression of views.

3.8.2 Interview Guide

An interview guide is a list of questions asked to the respondents and filled by the researcher herself (Ndunguru, 2007).An interview guide was used in order to seek data on the factors influencing loan repayment performance among SACCOS members in Dodoma Municipality. The use of this instrument avoided the problem of varying quality of interview data since it permitted the interviewer to ask the respondent direct questions and further probing and clarification possible as the interview proceeds. In this study researcher used a list of questions with no choices and asked the key informant (staff) and then records the answer himself.

3.8.3 Documentary Review

Enon (1998) explained that, documentary review method involves deriving information by careful studying written documents. Documentary review is the use of outside sources, documents, to support the viewpoint or argument of an academic work. The process of documentary research often involves some or all of conceptualizing, by using and assessing documents. The analysis of the documents in documentary research was either quantitative or qualitative analysis or both. The study, used documentation method that enabled the researcher to obtain the secondary data. All the necessary documents in the accounting and loan departments that enlighten the past and present data of the SACCOS were used. This technique helps the researcher to collected data so as to answer the research questions which guided this study.

3.9 Data Processing and Analysis

Data analysis, plan is the process of evaluating data analytical and logical reasoning to examine each component of the data provided (Kothari, 2005). Data from various sources is gathered, reviewed, and then analyzed to form some sort of findings or conclusion. Data analysis plan basically started from the beginning in the field. Critical analysis used to analyze the written information to get an interpretation of the meaning (Enon, 1998). Data analysis, is a general way that involves a number of closely related operations, which are performed with the purpose of summarizing the collected data and organizing them in such a manner that they answer the research questions or computation of certain indices or measures along with searching for patterns of relationships, that exist among the data groups (Kothari, 2004).

Data analysis, can be categorized into qualitative analysis and quantitative analysis. This study, employed both types of analysis. Quantitative data analyzed through the use of simple counts, use of frequency and percentages Using SPSS Version 21 in conformity with the objectives of the study to descriptive statistical analysis. Qualitative data was analyzed through the application of pattern matching, strong explanation building and comparison of data and information as proposed by Yin (1994).

3.10 Validity and Reliability

3.10.1 Validity

According to Barley (1999), Validity of an instrument is demonstrated when an instrument is seen, to be asking the right question framed in the least ambiguous way in other words, validity answers the question “are my findings true”.

To test the content validity of the instruments, the researcher employed the expertise of his supervisors and departmental lectures with the relevant skills in the field of study. Validity, is a measure of accuracy on whether the instruments of measurement are actually measuring what they were intended to measure (Nachamias and Frankfort, 1996). The validity of data collection tools were guaranteed regarding the comments from supervisor, administration of tools by the researcher himself and testing of the tools before the actual data collection.

3.10.2 Reliability

According to Denzin and Lincoln (2002), Reliability, is the degree to which the research instruments yields a consistent result or data after repeated trials. According to Gray (2005), the lesser the variation produced by an instrument on subsequent

trials the more reliable it was. Questionnaires were tested for reliability by using test-retest method. These instruments were administered to the pilot group twice within one week lapse between the times of administration by the researcher; obtained scores were ranked and then correlated. The issue of reliability was considered through structuring various questions that were associated to the research objectives, which ensured the reliability of the data collected.

Finally the researcher worked closely with his research supervisor who assessed the research instruments before they were dispersed to be used in data collection.

3.11 Research Ethics

This is concerned with what is morally good and bad, right and wrong. The term is also applied to any system or theory of moral values or principles.

Its subject consists of the fundamental issues of practical decision making, and its major concerns, include the nature of ultimate value and the standards by which human actions can be judged right or wrong (Cohen and Moris, 200). Permission to conduct this study, was obtained from relevant authorities; this included written permission from the University of Dodoma after submitting the full proposal and the permission from CHAMIHADO SACCOSS, who also was permitted the researcher to meet with the respondents in their area. In addition to that, the respondents were assured confidentiality of the information that they provided to the researcher.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Chapter Overview

This chapter presents the research findings and discussions of the results. It begins by providing a profile of the respondents followed by the discussions of the results. The presentations and interpretations of the main results are organized on the basis of the specific objectives.

4.2 Demographic Characteristics

This section, describes the demographic characteristics of the respondents who participated in this study. The study, examined the characteristics of the in terms of sex, age, occupations, marital status, education, business experience, borrowing purpose as will borrowing status.

4.2.1 Sex

The researcher explored the sex of them before asking them questions related to the research objectives. Table 4.1 below

Table 4.1: Sex

Sex	Frequency	Percentage
Males	45	54
Females	38	46
Total	83	100

Findings from Table 4.1 above illustrates that, 54% of the total respondents were males while 46% females. By these findings, it shows that majority of them were males which indicates that, males were many compared to females.

However the researcher tried his level best to consider both sex so as to avoid a gender bias since the different was a slight.

4.2.2 Age

Table 4.2 illustrates findings concerning respondents' age.

Table 4.2: Age of Respondents

Age of Respondent	Frequency	Percentage
20-29 yrs	7	8
30-39 yrs	13	16
40-49 yrs	42	51
50 and above yrs	21	25
Total	83	100

Table 4.2 above indicates that, 8% of all of respondents were of the age between 20 to 29 years, 16%, 30-39 years, 51%, 40 to 49 years and lastly, 25% of them were of the age 50 and above. Basing on the findings above, most of respondents were of the age between 40 to 49 years. This indicated that, most of them were matured enough to participate in this study and the findings provided were relevant and reliable.

4.2.3 Marital Status

The Marital status was of the most important factor in this study; therefore, the researcher was interested to find out the marital status of respondents as demonstrated in Table 4.3 below.

Table 4.3: Marital Status

Marital Status	Frequency	Percentage
Single	12	14
Married	38	48
Divorced	10	12
Widowed	23	28
Total	83	100

According to the findings in Table 4.3 above, 14% of the total respondents were single, 48% married while, 12% divorced and 28% of them were widowed, from the above findings above, majority of them were married.

4.2.4 Level of Education

Table 4.4 below depicts the level of education of the respondents.

Table 4.4: Level of Education

Level of Education	Frequency	Percentage
Primary education	23	28
Secondary education	32	39
Tertiary	28	34
Total	83	100

Findings from Table 4.4 depicts that, 38% of all respondents had primary education 39% secondary and lastly, 34% of them hold tertiary education level, which illustrates that t majority of them had a secondary education followed by tertiary education level. This implied that, most of them were literates, enough hence; the information provided was relevant and reliable.

4.2.5 Occupation

Table 4.5 Presents findings about respondent's occupation.

Table 4.5: Occupation

Occupation	Frequency	Percentage
Farmer	25	30
Business	48	58
Employee	10	12
Others (Mention)	0	0
Total	83	100

Source: Field Data, 2015

Findings from Table 4.5 above have revealed that, 30% of the total respondents were farmers, 58% business men and 12% employees from different sectors. Basing on these findings, majority of them were business men followed by farmers. Even those who have mentioned employment as their occupation status said they were engaged in different business while others into farming. This indicated that, the majority of CHAMIHADO SACCOS members were engaged into business and farming. Which could be concluded that, the information provided was reliable and enabled them participated fully in the daily activities provided by their SACCOS.

4.2.6 Borrowing Purposes

Table 4.6 below summarizes findings concerning borrowing purposes of the respondents.

Table 4.6: Borrowing Purposes

Types of Business	Frequency	Percentage
Agriculture	18	22
Manufacturing	42	51
Education	8	10
Hawkers/vendors	12	15
Tailoring	3	4
Total	83	100

Table 4.6 above illustrates that; 22% of the total respondents were engaged into agriculture, 12% manufacturing agriculture equipments, 10% education, 15% vendors and 4% of them were engaged in tailoring. Owing to the findings above, majority of them were engaged into manufacturing agriculture equipments and agriculture.

4.2.7 Tenure of Business Operations

The tenure of business operation has an implication on loan repayment performance. For this reason, the researcher was interested to uncover the respondent's tenure of business operations prior to the research objective questions.

Table 4.7: Tenure of Business Operation

Tenure of Business	Frequency	Percentage
1-4 years	22	27
5-8 years	21	25
9-11 years	30	36
12+ years	10	12
Total	83	100

Table 4.7 above illustrates that, 27% of all respondents had 1 to 4 tenure of business operations, 25% 5 to 8, 36% 9 to 11 lastly, 12% of them had more than 12 tenure of business operations .hence, and most of them had 9 to 11 tenure of business operations. This indicated that, most of them had enough experience concerning business.

4.3 Loan Process of CHAMIHADO SACCOS Members

This was the first objective of this study whereby the researcher wanted to explore the loan process of CHAMIHADO SACCOS members.

The researcher had to pose different questions to the respondents so as to explore the loan process conducted in the study area, as illustrated in different paragraph under here.

4.3.1 Conditions for Securing Loan

Findings concerning the conditions for securing a loan at CHAMIHADO SACCOS depicts that, in order to secure a loan one should have savings and must be a member of CHAMIHADO SACCOS whereby other respondents added that, in order to secure a loan one should be among the members of the SACCOS and should have a guarantor among members of CHAMIHADO SACCOS.

Findings confirming to that from the interviewed key informants who urged that;

“In order to secure a loan from CHAMIHADO SACCOS first of all one should be a member of our SACCOS, as well a member of the community with a positive attitude or good records within the society, and must have savings and guarantors, who were also members of this SACCOS” (Loan Officer of CHAMIHADO SACCOS.)

4.3.2 Terms for Loan Repayment

Basing on the findings concerning terms and conditions for the loan repayments among CHAMIHADO SACCOS members, which have revealed that, the terms were 1 year. Findings also which were portrayed by the interviewed key informants have revealed that;

“For the amount of loans issuance to CHAMIHADO members, it depended on amount of customers savings three times the amount of their saving account, one of them add that; “the terms of loan repayments among CHAMIHADO members depends on the amount of loans issues, some of them repaid back after six month, others after one year while some of them also repay back after two years” (Loan Officer).

4.3.3 Period of Pay Back Loan

Findings concerning the period of pay back a loan illustrates that it was one year

Findings from the interviewed key informants, most of them add that:

“CHAMIHADO SACCOS members paid back loans which depended on the amount of loan was borrowed ie. Tsh. 100,000-1499,000/= one year and above Tshs.1,500,000/= two years and less than Tsh. 100,000/= was to be paid after six months” (Loan Officer of CHAMIHADO SACCOS).

Also one among the key informants added that:

“The payback period depended on an individual decision, may take above Tsh. 1,500,000/= and decided to pay back after one year, but according to our SACCOS regulation they should obey our pay back schedule and period so as to avoid late repayment” (Loan Officers of CHAMIHADO SACCOS).

4.3.4 Steps should be Followed so as to Get a Loan

Findings concerning steps that should be followed by CHAMIHADO SACCOS members so as to a get loan illustrates that, majority of respondents said that, steps to get a loan was by filling a contract form and have a guarantor who was a member of the SACCOS while others said that, steps to be followed was to fill a contract form and attach the Purpose of the loan. The findings corresponding with that of interviewed key informants who add that:

“Procedures should be followed by our SACCOS members to secure loans were to fill an application form, and attach a project write up/purpose of the loan as well as to attach a guarantor who was member of our SACCOS” (Loan Officer of CHAMIHADO SACCOS).

4.4 Loan Repayment Rate among CHAMIHADO SACCOS Members

This was the second specific objective which guided this study in which, the researcher posed different questions to the respondents so as to explore the loan repayment rate among members.

Table 4.8 below illustrates loan repayment trend at CHAMIHADO SACCOS from 2010 to 2014. It shows who paid their loans on time, out of time and bad debts.

Table 4.8: Loan Process Trend in CHAMIHADO SACCOS From 2010 to 2014

Years	No. of Customer	On Time in %	Out of Time %	Failed to pay%
2010	70	50	40	10
2011	60	60	35	5
2012	120	75	23	2
2013	96	76	22	2
2014	102	77	20	3
Average	90	67.6	28	4.4

A finding from Table 4.8 above reveals that, from 2010 to 2014 majority of respondents 67.6%; paid their loans on time. One among the factors influencing on time repayment are the affordable interest rate paid per month which is 12%. They also added that, the grace period to prepare for repayment was sufficient. Moreover; they said that, adequate information concerning loan repayment provided before loan offered facilitated them to repay their loan on time.

Findings also clarified by interviewed key informant who added that:

“CHAMIHADO SACCOS provides an adequate information to its customers before providing them loans through seminars, workshops and brochures, we give them information concerning our interest rate, how to pay back on time and to be trustful. We also educate them to save regularly, borrow wisely, repay promptly etc.”(Loan Officer of CHAMIHADO SACCOS).

The findings from Table 4.8 also reveal that, from 2010 to 2014, 28% of members of CHAMIHADO SACCOS failed to pay their loan on time. This may probably be due to their low level of income, climatic condition, family problem and business environment.

Findings in Table 4.8 above depicts that, 4.4% members of CHAMIHADO SACCOS had bad debts repayment from 2010 to 2014.

According to one among credit officers in CHAMIHADO SACCOS, this group has failed total to pay their debts due to financial crises, bad habits like drunkenness and marriage infidelity among the few. Moreover; illness and diseases among members were found to be major factor leading to bad repayments.

4.5 Factors Influencing Loan Repayment Performance among CHAMIHADO Members

This was the third objective of this study, whereby the researcher posed different questions so as to examine factors influencing loan repayment performance, among CHAMIHADO members Table 4.12 below.

4.5.1 Low Income

Basing on the findings in Table 4.9, above the majority 42% strongly agreed that, low income was one among the factors influencing loan repayment performance among the SACCOS members in the study area, followed by 25% who agreed that, low income was one among the factors influencing loan repayment performance in the study area. Furthermore, 15% of them were neutral about such factor while 6% and 12% of them disagreed and strongly disagreed respectively.

This implied that, the low income among CHAMIHADO SACCOS members were among the factors influencing loan repayment performance in the study.

Acquah and Addo (2011); Mashatola and Darroch, (2003), Kohansal and Mansoori (2009) and Oni *et al.*, (2005) found that, income of the farmers had a positive influence on loans repayment performance in Ghana, South Africa and Iran respectively. Similarly, Vasanthi and Raja, (2006) revealed that, that lower income is one of the major factors which caused loans default for the housing borrowers in Australia.

Table 4.9: Low income

Response Low income	Frequency	Percentage
Strong Agreed	35	42
Agreed	21	25
Neutral	12	15
Disagreed	5	6
Strong Agreed	10	12
Total	83	100

4.5.2 Education Level

Table 4.10 below illustrated that, 48% of total respondents strongly agreed that, the education level influenced loan repayment performance in the study area followed by 28% who agreed that, 18% neutral about this question. Moreover, it was found out that they 4% disagreed, whereas, 2% strongly disagreed that the education level influenced loan repayment among the SACCOS members.

This indicated that, the education level was one of the factors influenced loan repayment performance among the SACCOS members in the study area.

This factor was clarified by the interviewed key informants who added that:

“The Education level of respondents has positive and negative influences among SACCOS members.

They added that, those with a high level of education paid their loans on time compared to those with a low level of education. Those with a high level of education were aware about loan allocation and utilization, compared to those with a low level of education”. One among key informant urged that: “in our SACCOS most of the educated people paid their loans without delaying and sometimes, they offset their loan before the deadline compared to those with low education” (Loan Officer of CHAMIHADO SACCOS).

According a to study conducted by Acquah and Addo (2011) and Addisu, (2006) which revealed that the positive influences of education on loans repayment performance, for fishermen and informal sector borrowers in Ghana and Ethiopia while Oladeebo and Oladeebo (2008) and Oni *et al.*, (2005) found a negative influence of education on repayment performance of farmers in Nigeria respectively.

Table 4.10: Level of Education

Level of education	Frequency	percentage
Strong agreed	40	48
Agreed	23	28
Neutral	15	18
Disagreed	3	4
Strong Disagreed	2	2
Total	83	100

4.5.3 Number of Dependants

As per the findings in Table 4.11 above, the number of dependants was the major factor since 51% of the total respondents strongly agreed that, the number of dependants influenced loan repayment performance among the SACCOS members in the study area followed by 24% agreed, 13% neutral, 2% disagreed, 10% of them

strongly disagreed about this factor. Owing to these findings, most of the them strongly agreed that, the number of dependants had an influence on loan repayment among SACCOS members.

This indicated that, the number of dependants among the family member of CHAMIHADO SACCOS had an influence on loan repayment performance.

Focusing on the findings from interviewed key informants they added that:

“Most of our customers with a large number of dependants in their families are affected negatively in loan repayment performance, compared to those with a low dependant ratio” (Loan Office of CHAMIHADO SACCOS).

Haque *et al.*, (2011) and Ojiako and Ogbukwa (2012) observed negative influence of family size on loan repayment performance, for small business owners and farmers in Bangladesh and Nigeria respectively. It implies that the larger the family size exposes high risk of loan default. Similarly, Vasanthi and Raja (2006) observe the negative influence of the number of dependants and the loan default, risk for housing borrowers in Australia.

Table 4.11: Number of Dependant

Number of Dependants	Frequency	Percentage
Strong Agreed	42	51
Agreed	20	24
Neutral	11	13
Disagreed	2	2
Strong Disagreed	8	10
Total	83	100

4.5.4 Borrowers’ Years of Experience

Basing on the findings in Table 4.12, below the majority of respondents 49% of the total respondents strongly agreed that borrowers’ years of experience had an

influence on loan repayment among SACCOS members, 24% agreed, 15% neutral, 8% disagreed and 4% of them were strongly disagreed hence the majority of respondents had strongly agreed borrowers' years of experience were among the factors influencing loan repayment performance among SACCOS members in the study area.

This was clarified by an interview from key informants who urged that:

“Most of our customers, who are experienced enough, have a tendency of paying back their loans on time compared to new customers without experience. Most of them off set their loans before the time frame given by our SACCOS” (Loan Officer of CHAMIHADO SACCOS).

According to Oladeebo and Oladeebo (2008); (2009); Kohansal *et al.*, (2011) all found a positive influence of borrowers' years of experience on loan repayment performance for farmers and fishermen in Nigeria, Iran and Ghana respectively.

Table 4.12: Borrowers' Years of Experience

Borrower Years of Experience	Frequency	Percentage
Strong agreed	40.7	49
agreed	20	24
Neutral	12.5	15
Disagreed	7	8
Strong Disagreed	3.3	4
Total	83	100

4.5.5 Amount of Loan Receipts

Basing on this factor, the majority of respondents 28% strongly agreed that, amount of loan receipts had an influence on loan repayment performance 48% agreed 8% neutral, 10% disagreed, 6% of them strongly disagreed.

Since majority agreed that the amount of loan receipts had an influence on loan repayment performance, it can be concluded that, the amount of loan receipts was among the factors influenced loan repayment among SACCOS members in the study area.

Findings from the interviewed key informants have revealed that the amount of loans receipts had a positive and negative influence on loan repayments but it depended on the type of business and duration of repay back the loans. One among the key informant added that:

“For those who received a high amount of loans and paid back for a short term paid their loans on time compared to those who took a low amount of loans and paid back for a long term period, but these situation depended much on the types of business individuals involved and the awareness of customers.”(Loan Officer of CHAMIHADO SACCOS).

The amount of loan receipts had contributed positively to loan repayments as reported by Haque *et al.*, (2011) in Bangladesh, Oladeebo and Oladeebo (2008) in Nigeria, Kohansal and Mansoori (2009) in Iran, Ojiako and Ogbukwa (2012) in Nigeria, Addisu (2006) in Ethiopia and Duy (2013) in Vietnam.

Table 4.13: Amount of Loans

Amount of Loans	Frequency	Percentage
Strong Agreed	23	28
Agreed	40	48
Neutral	7	8
Disagreed	8	10
Strong Disagreed	5	6
Total	83	100

4.5.6 Other Factors Influencing Loan Repayment Performance

Table 4.14 below presents the findings concerning other factors influenced loan repayment performance among the SACCOS members in the study area.

Table 4.14: Other Factors Influencing Loan Repayment Performance

Factors	Frequency	Percentage
Lack of Entrepreneurship knowledge	46	55
Climatic change and change in business environment	20	24
Misallocation of Loan	17	20
Total	83	100

According to the findings from Table 4.14 above, the majority of them 55% urged that, lack of entrepreneurship knowledge was among other factors influenced loan repayment performance among the SACCOS members in the study area, 24% climatic change and change in business environment as among other factors influenced loan repayment performance 20% of them urged that, misallocation of loan was among other factors influenced loan repayment among SACCOS members in the study area, hence lack of entrepreneurship knowledge was one among other factors influenced loan repayment detected in the study area key informants added that:

“Most of them failed to repay back their loans due to lack of entrepreneurship skills which in returned fail to run their business due to affect their loan repayment and business however due to climatic change due to unreliable rainfall had affected business men who were engaged into agriculture and failed to pay back their loan” (Loan Officer of CHAMIHADO SACCOS).

In addition to that not only climatic change affected their business but also the change in business environment. For example, during the rainfall most of street vendors failed to pursue their business which made them not to pay back their loans on time (Loan Officer of CHAMIHADO SACCOS).

One of the interviewed key informants added that:

“Some of our members misallocated their loans; instead of operating business they used their loans for purchasing housing amenities while some paid social services such as school fees, health services fund as well as electricity and water bills. For this case, they failed to payback their loan on time” (Loan Officer of CHAMIHADO SACCOS).

Al- Mamun *et al.*, (2011) revealed that, more than 50% of the SACCOS members defaulted their credits because they allocated their credits in non-income generating activities. Conversely, Addisu (2006) found that lack of a clear plan for borrowers reduced loans repayment performance for the informal sector borrowers in Ethiopia.

4.5.7 Possible Measures to Overcome Challenges

Table 4.15 below demonstrates the findings concerning the possible measures to overcome challenges associated with loan repayment performance among SACCOS members in the study area.

Table 4.15: Possible Measures to Overcome Challenges

Measures	Frequency	Percentage
Regular Follow-up	20	24
Good leadership (Transparency)	10	12
Entrepreneurship Knowledge	35	42
Appropriate agriculture practice and Improve irrigation knowledge	18	22
Total	83	100

Table 4.15 above has revealed that, 24% of the total respondents portrayed that, the possible measures to overcome challenges associated with loan repayment performance was to ensure a regular follow up, 12% there should be a good leadership, 42% provision of entrepreneurship knowledge, 22% of them asserted that, an appropriate agriculture practice and an improvement of irrigation knowledge

was the best measures to overcome challenges associated by loan repayment performance, hence the provision of entrepreneurship knowledge was the best measure.

Jha and Hui, (2012) have revealed that, poor credit appraisal, inadequate follow-up and poor supervision of loans, were the factors caused a high ratio of nonperforming loans for SACCOS in Nepal. Likewise, Kithinji, (2010) found that, the main sources of credit risks for SACCOS in Kenya include inappropriate credit policies and lack of competent staff which resulted into poor assessment, lending practices and follow-up of the credits.

Moreover, Bunning (2004) observed 100 per cent repayment rates for women borrowers from the UNDP micro credit project in Inner Mongolia and Chifeng in China was due to training and good supervision of loans. Similarly, Haque *et al.*, (2011) found that, 94% of the repayment rate for a community based organization members in Bangladesh because of a loan follow-up and training of microcredit officers.

Furthermore, Maghimbi (2010) and Bibi (2006) disclosed that, most of SACCOS in Tanzania suffered from weak internal control systems and high non-performing loans because of an ineffective loans management. Karumuna and Akyoo (2011) revealed that, one of the SACCOS in Kongwa district, in Dodoma region i.e Kibaigwa Financial Services and Credit Cooperative Society (KIFISACCOS), had defaulted loans of Tanzanian Shillings (Tshs) 762,500,000 (equivalent to 76%) in 2009 because of poor management of loans.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Chapter Overview

This chapter, presents the summary, conclusion and recommendations of this study, and is organized in four sections, which are; summary of findings, conclusions, recommendations and area for further studies.

5.2 Summary of the Findings

This study assessed factors influencing loan repayment among SACCOS members, specifically in CHAMIHADO SACCOS in Dodoma Municipality. The following specific objectives were formulated: The study specifically intended: to understand the loan process of CHAMIHADO SACCOS members, to assess the loan repayment rates among members and to determine factors influenced loan repayment among members. This section provides the summary of findings based on the specific objectives.

5.2.1 Loan Process of CHAMIHADO SACCOS Members

Owing to the findings concerning this objective, majority of respondents urged that, one of the conditions for securing a loan in this SACCOS was to become a member and have a guarantor from it, also they said that, terms for loan repayment among CHAMIHADO members was one (1) year. Furthermore, most of them said that, steps to be followed so as to get a loan was to fill a contract form and have a guarantor from members whereas, most of them said that, loan provided by CHAMIHADO SACCOS were sufficient.

5.2.2 Loan Repayment Rates among CHAMIHADO SACCOS Members

Basing on this objective, findings have reveal that, majority of respondents 68% paid their loans on time, 28% and 4% of them failed to pay the loans totally. Moreover; most of them agreed that, the interest rate provided by CHAMIHADO SACCOS was affordable. Furthermore, the grace period to prepare for loan repayment was an adequate and most agreed that, an adequate information concerning loan repayment was provided before the loan was offered.

5.2.3 Factors Influencing Loan Repayment among CHAMIHADO SACCOS Members

According to the findings from this objective, majority 67% agreed that, the low income level of respondents influenced loan repayment performance, , 76% of them agreed that, the education level of respondents influenced loan repayment performance among CHAMIHADO members, 75%, the number of dependant influencing loan repayment performance,73%, borrowers years of experience had an influence on loan repayment performance and 76% agreed. Furthermore, 55% of them urged that, other factors influenced loan repayment was the lack of entrepreneurship knowledge whereby 42% of them suggested that, in order to overcome challenges facing loan repayment performance among SACCOS members, there should be a provision of entrepreneurship skills to SACCOS members.

5.3 Conclusion

The study focused of assessment of factors influencing loan repayment among SACCOS members, it can be concluded that the loan processes followed by CHAMIHADO SACCOS members to secure loans are: to have savings and must be a members of the SACCOS as well as guarantors who also were members of CHAMIHADO SACCOS. Also, most factors influenced loan repayment among SACCOS members in the study area were; the number of dependents, level of education of the borrowers, a low income among SACCSOS members, borrowers years of experience as well as amount of loan receipts. Moreover, they point out that, lack of entrepreneurship knowledge, climatic change and changing in business environment as well as misallocation of loans. Owing to these findings, it can be concluded that, the study concerning loan repayment performance among SACCOS members was of the most important since it provide broad pictures on how SACCOS could run their business and the challenges they encountered in issuing loans as well as challenges encountered in loan repayment performance.

5.4 Recommendations

Basing on the findings from this study, the following recommendations are made:

- i. Entrepreneurship skills, should be provided by CHAMIHADO SACCOS to their borrowers before giving them loans so as, they should aware on how to ensure a proper allocation of their loans and the know how to serve their money in order to ensure loan repayment on time.
- ii. (ii)There should be a regular follow up to the CHAMIHADO SACCOS customers, so as to influence them to pay back their loans on time.

- iii. Furthermore, CHAMIHADO SACCOS should provide an amount of loans which could be repaid back on time since the amount of loans received had an influence on the loan repayment performance.
- iv. CHAMIHADO SACCOS members should ensure proper allocation of their loans so as to avoid loan defaults.

5.5 Areas for Further Studies

Owing to the findings from this study, other study should be conducted on an impact of entrepreneurship skills on loan repayment performance among SACCO's members. Moreover, a qualitative and quantitative study should be conducted to the other SACCOS in order to explore the influence of the number of dependants on loan repayments among SACCOS members. Furthermore, other studies should be conducted concerning measures to be taken, to improve challenges facing loan repayment performance among SACCOS members in other regions.

REFERENCES

- Absantol, G. and Aikaruwa, D. (2013), "Credit Rationing and Loan Repayment Performance: A Case Study of Victoria Savings and Credit Cooperative Society". *Global Advanced Research Journal of Management and Business Studies* Vol. 2(6) pp. 328-341.
- Acquah, H. and J. Addo, J. (2011), "Determinants of Loan Repayment Performance of Fishermen: Empirical Evidence from Ghana": *Cercetări Agronomice in Moldova* Vol. XLIV, No. 4(148) / 2011.
- Addisu, M. (2006), "Micro-Finance Repayment Problems in the Informal Sector in Addis Ababa". *Ethiopian Journal of Business & Development* Volume 1 Number 2 August 2006, Pp 29-50.
- Al-Mamun, A., Wahab, S., Malarvizhi, C. and Mariapun, S. (2011), "Examining The Critical Factors Affecting the Repayment of Microcredit. Provided by Amanah Ikhtiar Malaysia". *International Business Research* Vol. 4, No. 2; April 2011.
- Babbie, E. (1990), *Survey Research Methods*, the Free Press, New York.
- Barley, K. (1999), *Methods of Social Research 4th edition*, the Free Press, New York.
- Bibi, A. (2006), *Tanzania's Cooperatives Look to the Future*. Retrieved from, <Http://www.andrewbibby.com/pdf/tanzania.pdf> on 06/11/2013.
- Bryman, (2004), *Integrating Quantitative and Qualitative Research: How is it Done?* SAGE Publications, London.
- Bryman, A. and Bell, E. (2007), *Business Research Methods*, 2nd Edition, Oxford University Press.UK.
- Bunning, A. (2004), "A Microcredit Success Story: Women Make the Difference". *Development Bulletin*, No. 64, pp. 63-66.
- CFDE, (2012), *International Year of Cooperatives Africa*. ILO Office in Dar Es Salaam, Tanzania.
- Cohen, A. Manion L. and Marison, K. (2005), *Research Method in Education*.5th Ed, London, Rutledge Publication.

- Cohen, L., Manion, L. and Morrison, K. (2007), *Research Methods in Education*, London: Routledge Tylors & Francis, Community Dar es Salaam, Haki Elimu.
- Creswell, J. (2005), *Educational Research: Planning, Conducting, and Evaluating Quantitative and Qualitative Research*, New Jersey: Pearson Prentice Hall.
- Denzin, N. and Lincoln, Y. (2000), "The Discipline and Practice of Qualitative Research". *Handbook of Qualitative Research*, 2, pp. 1-28.
- Diagne, A. and Zeller, M. (2001), "Access to Credit and Its Impact on Welfare in Malawi". Research Report 116, *International Food Policy Research Institute*, Washington, D.C.
- DICO, (2005), *Credit Risk Management*, Reference Manual – Spring 2005.
- Duy, V. (2013), "Is the Repayment Performance of Farmers Better Than that of Non-Farmers? A Case Study of Borrowers of Formal Bank Credit in the Mekong Delta, Vietnam". *CAS Discussion Paper* No 88.
- Enon, J. (1998), *Education Research, Statistics and Management*, Kampala University, Kampala.
- Evers, J., Jack, S., Loeff, A. and Siewertsen, H. (2000), *Reducing Cost and Managing Risk in Lending to Micro Enterprises. Handbook for Micro-Lending in Europe. Produced by FACET, Zeist, the Netherlands and IFF- Institutur Fur Finanzdienstleistungen E.V., Hamburg, Germany.*
- Fiedler, E. (1971), "The Meaning and Importance of Credit Risk". *In Measures of Credit Risk and Experience*, pp. 10-18, UMI Publication.
- Frohberg, K. and Müller, K. (2007), *The Impact of microfinance on Rural Poor Households' Income and Vulnerability to Poverty: Case Study of Makueni District, Kenya (Inaugural – Dissertation)*. Rheinischen Friedrich-Wilhelms-Universität Zu Bonn.
- Fun Ho, S. and Yusoff, N. (2005), "A Preliminary Study of Credit Risk Management in Malaysia", *Journal Pengurusan* 28 (2009) 45-65.
- Gómez, R. and Santor, E. (2008), "Does the Microfinance Lending Model Actually Work?" *The Whitehead Journal of Diplomacy and International Relations*. Pgs 37-55.
- Gray, D. (2005), *Doing Research in the Real World*, New Delhi, SAGE Publication.

- Groenewald, T. (2004), *A Phenomenological Research Design Illustrated*, McGraw-Hill, London.
- Gujarat, D. and Porter, C. (2010), *Basic Econometrics*, Fifth Edition, McGraw-Hill Company and China Renmin University Base.
- Gujarat, D. and Porter, C. (2010), *Essentials of Econometrics*, Fifth Edition, McGraw-Hill Company and China Renmin University Base.
- Gwahula, R. (2013), *Measuring Banks Efficiency and Performance in Tanzania*. PhD Thesis, Dongbei University of Finance and Economics.
- Haque, M., Akter, R., and Laoubi, K. (2011), “Effectiveness of Community Based Organization (CBO) Microcredit Programme of Concern Worldwide: A Case Study of Bangladesh”: *African Journal of Business Management* Vol. 5(24), pp. 10101-10107, 14 October, 2011.
- Hogg, R., and Tanis, E. (1977), *Probability and Statistical Inference*, New York: Macmillan.
- Ikomi, F. (2012), *The Role of Insurance in Managing Microfinance Program Risks*: McGraw Hill, New York.
- Jha, S. and Hui, X. (2012), “A Comparison of Financial Performance of Commercial Banks: A Case Study of Nepal”: *African Journal of Business Management* Vol. 6(25), pp. 7601-7611, 27 June, 2012.
- Karumuna, L. and Akyoo, A. (2011), “Rural Finance Challenges in Tanzania – The Case of Kibaigwa”. *Financial European Journal of Business and Management* www.iiste.org/issn 2222-1905 (Paper) ISSN 2222-2839.
- Kessy, S. and Temu, S. (2009), Impact on Training on of Micro and Small Enterprises Served By Microfinance Institutions in Tanzania: *Research Journal of Business Management*. Vol.5, No.32, 2013 72.
- Kidanu, B. (2008), *The Status O. RUSACCOS in Ethiopia, Presented to EACRAT Workshop Held on 22 – 24 July 2008 Addis Ababa*, Ethiopia for the Behalf of Federal Cooperative Agency.
- KIFISACCOS, (2011), “Kongwa Financial Services and Credit Cooperative Society”. *Business Minds Africa*, Case Series, Number 2 June 2011.
- Kithinji, A. (2010), *Credit Risk Management and Profitability of Commercial Bank in Kenya*. School of Business University of Nairobi, Nairobi – Kenya.

- Kohansal, M. and Mansoori, H. (2009), "Factors Affecting on Loan Repayment Performance of Farmers in Khorasan-Razavi Province of Iran. Conference on International Research on Food Security, Natural Resource", *Management and Rural Development*. University of Hamburg Tropentag, October 6-8, 2009.
- Kolapo, T., Ayeni, R. and Oke, M. (2012), "Credit Risk and Commercial Banks' Performance in Nigeria: A Panel Model Approach". *Australian Journal of Business and Management Research* Vol.2 No.02 [31-38].
- Kothari, C. (2004), *Research Methodology: Methods and Technique*, New Age International Publishers, New Delhi.
- Kothari, C. (2005), *Research Methodology: Methods and Technique*, New Age International Publishers, New Delhi.
- Maghimbi, S. (2010), "Cooperatives in Tanzania Mainland: Revival and Growth". *Coopafrika Working Paper* No.14. Series on the Status of Cooperative Development in Tanzania.
- Marguerite, R. (2001). *The Microfinance Revolution, Sustainable Finance for the Poor*. Washington DC, 20433 USA: Library of Congress cataloging.
- Mashatola M. and Darroch, M. (2003), "Factors Affecting the Mortgage Loan Repayment Status of New Freehold Growers in the Kwazulu-Natal" *Sugar Industry, South Africa: Agrekon*, Vol 42, No 4 (December 2003).
- MOF, (2012; 2013), *Speech by the Minister for Finance Hon. Dr. William Augustao Mgimwa (Mp). Introducing to the National Assembly, the Estimates of Government Revenue and Expenditure for the Fiscal Year 2012/2013 and 2013/2014*.
- Moti, H. Masinde, J. and Mugenda, N. (2012), "Effectiveness of Credit Management System on Loan Performance: Empirical Evidence from Micro Finance Sector in Kenya". *International Journal of Business, Humanities and Technology* Vol. 2 No. 6; October 2012.
- Mustafa, M., Ali, M., Awaideh, M. and Miller, C. (2011), *Study on Risk Management in Rural and Agricultural Finance in the Near East and North Africa (NENA) Region*. Food and Agriculture Organization of the United Nations Rome, Italy.
- Nachamias, D. and Frankfort, C. (1996), *Research Methods in the Social Science*, 5th Edition, Arnold, Santa Cruz, CA.
- Nawai, N. and Shariff, M. (2010), "Determinants of Repayment Performance in Microcredit Programs": *A Review of Literature, International Journal of Business and Social Science* Vol. 1 No. 2; November 2010.

- Ndunguru, P. (2007), *Lecture on Research Methodology for Social Science*, Research Information and Publications Department, Mzumbe University Tanzania.
- Nghiem, H. (2009), “Analysing the Effectiveness of Microfinance in Vietnam”: A *Conceptual Framework*, JEL Classification - O12, P34, and R29 School of Economics. The University of Queensland.
- Njanike, K. (2009), “The Impact of Effective Credit Risk Management on Bank Survival”: *Annals of the University of Petroşani, Economics*, 9(2), 2009, 173-184.
- Ofuoku, A. and Urang, E. (2009), “Effect of Cohesion on Loan Repayment in Farmers’ Cooperative Societies in Delta State, Nigeria”: *International Journal of Sociology and Anthropology* Vol. 1(4) pp. 070-076 August, 2009.
- Ojiako, I. and Ogbukwa, B. (2012), “Economic Analysis of Loan Repayment Capacity of Smallholder Cooperative Farmers in Yewa North Local Government Area of Ogun State, Nigeria”. *African Journal of Agricultural Research* Vol. 7(13), pp. 2051-2062.
- Ojo, J. (2003), *Applications of Visual Analytics for Research in Infectious Diseases of Poverty*, Faculty of Science, the University of Ibadan.
- Okwoche, V., Asogwa, B., and Obinne, P. (2012), “Evaluation of Agricultural Credit Utilization by Cooperative Farmers in Benue State of Nigeria”. *European Journal of Economics, Finance and Administrative Sciences*, Issue 47 (2012).
- Oladeebo1, J. and Oladeebo, O. (2008), “Determinants of Loan Repayment among Smallholder Farmers in Ogbomoso Agricultural Zone of Oyo State, Nigeria”. *Kamla-Raj 2008 Journal of Socio Science*, 17(1): 59-62 (2008).
- Olatunde, T. (1997), *Sociology: an Introductory African Text*. Macmillan Education Ltd, London.
- Oni, O. Oladele, O. and Oyewole, I. (2005), “Analysis of Factors Influencing Loan Default among Poultry Farmers in Ogun State Nigeria”. *Journal of Centre European Agriculture*, Volume 6, No. 4 (619-624).
- Peter, V. and Peter, R. (2006), “Risk Management Model: An Empirical Assessment of the Risk of Default”: *International Research Journal of Finance and Economics*, Issue I (2006).

- Psico, J. and Dias, J. (N.D). *Social Performance Evaluation of the Microfinance Institutions in Mozambique*. ISCTE Business School, Portugal.
- Ross, S., Westerfield, R. and Jordan, B. (2010), *Fundamentals of Corporate Finance*, McGraw Hill Education, China Machine Press.
- Rwegoshora, R. (2006), *A guide to Social Science Research, Institute of Social Work Dar es salaam, Tanzania*, Mkuki Publishers.
- Salant, P. and A. Dillman. (1994), *How to Conduct Your Own Survey*, Washington State University.
- Satgar, V. (2003), *Comparative Study Cooperative Banks and the Grameen Bank Model*. Co-Operative and Policy Alternative Center (COPAC).
- Sileshi, M., Rose Nyikal, R., and Wangia, S. (2012), “Factors Affecting Loan Repayment Performance of Smallholder Farmers in East Hararghe, Ethiopia. Developing Country Studies”, Vol 2, No.11, 2012. *European Journal of Business and Management* www.iiste.org ISSN 2222-1905 (paper) ISSN 2222-2839 (Online) Vol.5, No.32, 2013 73.
- Simtowe, F., Zeller, M., and Phiri, A. (2006), “Determinants of Moral Hazard in Microfinance: Empirical Evidence From Joint Liability Lending Schemes in Malawi”. *Poster Paper Prepared for Presentation at the International Association of Agricultural Economists Conference*, Gold Coast, Australia, August 12-18, 2006.
- Trà, P. and Robert Lensink, R. (N.D), “Household Borrowing in Vietnam: A Comparative Study of Default Risks of Informal, Formal and Semi-Formal Credit”. *University of Groningen*. JEL Numbers: G21, C24, O16 and O17.
- Triodos, F. (2011), “Tanzania Microfinance Country Scan”, Final Report. Zeist, The Netherlands, Washington, D. C. *Sustainable Development Department*, Best Practices Series May 2007.
- URT, (2003). *Small and Medium Enterprise Development Policy*.
- URT, (2005). *Cooperative Act*, 2003. Dar es Salaam: Government Printer.
- URT, (2005). *Cooperative Rules*, 2004. Dar es Salaam: Government Printer.
- URT, (2005). *Cooperative Reform and Modernization Program 2005-2015*. Dar es Salaam: Government Printer.
- URT, (2008). *A report on Developing a Strategy for Rural Financial Services*.

- Vasanthi, P. and Raja, P. (2006), "Risk Management Model: an Empirical Assessment of the Risk of Default": *International Research Journal of Finance and Economics*, Issue I (2006).
- Vuuren, F. (2011), *Risk Management for Microfinance Institutions in South Africa*. Msc Thesis, University of Pretoria.
- Wenner, M. (2010), *Credit Risk Management in Financing Agriculture*, Focus 18 Brief 10 July 2010, IFPRI.
- Wenner, M., Navajas, S., Trivelli, C. and Tarazona, A. (2007), *Managing Credit Risk in Rural Financial Institutions in Latin America*, Inter-American Development Bank.
- Yin, R. (1994), *Case Study Research Design and Methods*, Sage Publications, Wisconsin.

APPENDICES

Appendix I: Questionnaire for Respondents

Dear Respondents,

I am **Josamu Kengia** from the University of Dodoma (UDOM) pursuing a Masters degree on Business Administration Programme. I kindly request you to assist me to facilitate the completion of my research work, which is a prerequisite for partial fulfillments of my degree program (MBA). The purpose of this questionnaire is to assess factors influencing loan repayment performance among SACCOS members in Dodoma Municipality. I shall appreciate very much your assistance in answering the questions below. Please do not write your name on this form in order that the replies remain anonymous. **Please answer the questions with utmost honesty.**

SECTION A: Socio-Economic Background of the Respondents

Please tick (✓) the Relevant Answer and Fill the Gap

1. Sex of Respondents

Male	
Female	

2. Age of Respondent

Below Twenty yrs	
20-29 yrs	
30-39 yrs	
40-49 yrs	
50 and above yrs	

3. Marital Status

Single	
Married	
Divorced	
Widowed	

4. Level of Education

Primary education	
Secondary education	
Tertiary	

5. What is your Occupation?

Farmer	
Business	
Employee	
Others (Mention)	

6. Type of Business

Agriculture	
Manufacturing	
Trading	
Education	
Hawkers/vendors	
Tailoring	

7. How long has your business operated (years)?

Less than a Year	
1-4	
5-8	
9-11	
12+	

SECTION B: To understand the loan process of CHAMIHADO SACCOS members (Please Tick (√) the Relevant Answer)

8. Are you borrowing in this SACCOS?

Yes	
No	

9. How long have you been borrowing in this SACCOS (years)?

Less than a Year	
1-4	
5-8	
9-11	
12+	

10. What are the conditions for securing loan?

Must be members of SACCOS	
Have project write up and Guarantors	
Good reputation in the community	
Others, Please specify	

11. What are the terms for loan repayment?

Six Month	
1 year	
2 years	
Others, Please specify	

12. For how long does it take to pay back the loan?

Six Month	
1 year	
2 years	
Others, Please specify	

13. What steps should you follow so as to get loan from financial institutions?

Filling Contract Form	
Guarantors	
Others, Please specify	

14. To what extent loan provided by this SACCOS sufficient

Highly Sufficient	
Sufficient	
Moderate	
Low Sufficient	
Insufficient	

Section C: To assess the loan repayment rate among CHAMIHADO SACCOS members

15. What are the Loan Repayment trends in CHAMIHADO SACCOS from 2010 to 2014?

On Time	
Out of Time	
Fail to Pay Total	

SECTION D: To determine the factors influencing loan repayment among CHAMIHADO members

16. Listed below are some factors influencing loan repayment among CHAMIHADO SACCOS members

A. For each statement, tick in your response based on how much you agree or disagree with it.

Factors	Strongly Agree 1	Agree 2	Neutral 3	Disagree 4	Strongly disagree 5
Low Income					
Education level					
Number of Dependant					
Borrowers' years of experience					
Amount of Loan receipts					

B. List other factors influencing loan repayment performance in the study area.

i.	
ii.	
iii.	

17. Suggest possible measures, to overcome challenges associated with loan repayment among SACCOS members

i.	
ii.	
iii.	
iv.	
v.	

Appendix II: Interview Guide for Key Informants

1. What are the amounts of loans issuance to CHAMIHADO members?

.....
.....

2. What are the conditions for securing loan?

.....
.....

3. For how long does it take for customer to pay back the loan?

.....
.....

4. What is interest rate paid per month?

.....
.....

5. What procedures should be followed so as to get loan from SACCOS?

.....
.....

6. What are the main contributions of SACCOS in loan repayment performance on its members?

.....
.....

7. In what ways SACCOS providing knowledge to its members on how to repay loans?

.....
.....

8. Is lack of mortgage hinder accessibility of loans?

.....
.....

9. In your own view what are the possible challenges for loan repayment among SACCOS members?

.....
.....

10. Suggest possible measure to overcome challenges associated with loan repayment among SACCOS members

.....
.....

Appendix III: Name of SACCOS Found in Dodoma Municipality

Full Name	Registration	Target Group (Gender & Sector)	Dominant Sector	Market Outreach Clients
Boma Kuu SACCOS Ltd	Reg. No: DOR 552 Reg. Date: 2002	Gender: All Sector: Agriculture, Social, Service, Trade & Commerce	Social	47
CCT Employees SACCOS Ltd	Reg. No: DOR 529 Reg. Date: 2002	Gender: All Sector: Social, Trade & Commerce	Social	27
CHAMIHADO SACCOS Ltd	Reg No. DOR 554	Gender: All Sector: Agriculture and Manufacturing.	Social	200
Daima Muungano SACCOS Ltd	Reg. No: DOR 572 Reg. Date: 2002	Gender: All Sector: Agriculture, Social & Trade & Commerce	Trade & Commerce	383
Dodoma Secondary SACCOS Ltd	Reg. No: DOR 608 Reg. Date: 2003	Gender: All Sector: Social	Social	21
HOZEM SACCOS Ltd	Reg. No: DOR - 571 Reg. Date: 2003	Gender: All Sector: Agriculture, Social, Trade & Commerce	Agriculture	230
Huduma SACCOS Ltd	Reg. No: Makambini Reg. Date: 1976	Gender: All Sector: Agriculture, Social, Trade & Commerce	Social	180
Kambarage SACCOS Ltd	Reg. No: DOR 569 Reg. Date: 2002	Gender: All Sector: Agriculture, Trade & Commerce & social	Trade & Commerce	683
Kibo SACCOS Ltd	Reg. No: DOR 615 Reg. Date: 2004	Gender: All Sector: Trade and Commerce	Trade & Commerce	53

Full Name	Registration	Target Group (Gender & Sector)	Dominant Sector	Market Outreach Clients
KKKT Arusha Road SACCOS Ltd	Reg. No: DOR 619 Reg. Date: 2004	Gender: All Sector: Agriculture, Trade & Commerce & social	Agriculture	93
Maendeleo SACCOS Ltd	Reg. No: DOR 623 Reg. Date: 2004	Gender: All Sector: Social, Trade & Commerce	Trade & Commerce	43
Majengo Sokoni SACCOS Ltd	Reg. No: DOR 557 Reg. Date: 2000	Gender: All Sector: Social, Trade & Commerce, Emergency Loan	Agriculture	891
Makamu SACCOS Ltd	Reg. No: DOR 6 Reg. Date: 1974	Gender: All Sector: Social	Social	210
Mipango SACCOS Ltd	Reg. No: DOR 72 Reg. Date: 1989	Gender: All Sector: Social, Trade & Commerce	Social	64
Mirembe SACCOS	Reg. No: DOR 476 Reg. Date: 1991	Gender: All Sector: Social	Social	150
Mitaa SACCOS Ltd	Reg. No: 5422 Reg. Date: 1987	Gender: All Sector: Agriculture & Social	Social	114
Mji Mkuu SACCOS Ltd	Reg. No: 5200 Reg. Date: 1985	Gender: All Sector: Agriculture & Social	Social	178
Mtaji Wa Maskini SACCOS Ltd	Reg. No: DOR 571 Reg. Date: 2002	Gender: All Sector: Agriculture, Social & Trade & Commerce	Social	115
Municipal Teachers SACCOS Ltd	Reg. No: DOR 537	Gender: All	Social	527

Full Name	Registration	Target Group (Gender & Sector)	Dominant Sector	Market Outreach Branches Clients
Muungano SACCOS Ltd	Reg. Date: 1997 Reg. No: DOR 607 Reg. Date: 2003	Sector: Social Gender: All Sector: Social, Trade & Commerce	Trade & Commerce	67
MWASSACO SACCOS Ltd	Reg. No: DOR 535 Reg. Date: 1997	Gender: All Sector: Agriculture, Social, Trade and Commerce	Trade & Commerce	400
Nala SACCOS Ltd	Reg. No: DOR 570 Reg. Date: 2002	Gender: All Sector: Trade and Commerce	Trade & Commerce	42
Tumaini SACCOS Ltd	Reg. No: DOR 569 Reg. Date: 2002	Gender: All Sector: Social, Trade & Commerce	Social	61
Ufundi SACCOS Ltd	Reg. No: DOR 484 Reg. Date: 1993	Gender: All Sector: Social, Trade & Commerce	Social	39
Ukaguzi SACCOS Ltd	Reg. No: 2842 Reg. Date: 1980	Gender: All Sector: Social, Trade & Commerce	Trade & Commerce	82
UKUKI SACCOS Ltd	Reg. No: DOR 624 Reg. Date: 2004	Gender: All Sector: Social, Trade & Commerce	Trade & Commerce	27
Ushirika na Masoko SACCOS Ltd	Reg. No: DOR - 618 Reg. Date: 2004	Gender: All Sector: Social, Trade & Commerce	No credits yet provided	28
WAMADOSAC COS Ltd	Reg. No: DOR 555 Reg. Date: 2000	Gender: All Sector: Social, Trade & Commerce	Social	95

Source: DMC Profile, 2015