

ABSTRACT

The problem of high incentive incidence of default seems to be one common feature to Microfinance Institutions. This study was directed towards finding the factors affecting loan repayment performances in MFIs with a case study of PRIDE Tanzania Ltd with the view of establishing procedures for analysing measurement to be taken to improve loan repayments from clients. Microfinance in most developing countries, however achieves low repayment rates on loans. The researcher has tried to give an in-depth research on the clients as well as the lending that PRIDE Tanzania uses. The study used both quantitative and qualitative analysis method for an in-depth research on the clients as well as PRIDE Tanzania staff on the lending mechanism that the microfinance has been using.

The study used both quantitative and qualitative techniques to investigate factors affecting loan repayment performances. The findings showed those clients' characteristics (age, household size, gender and level of education), nature of business (business type, business stability and income level) and loan characteristics (repayment period, repayment mode and repayment amount) were among the factors that influenced borrowers in repaying their loans. Lack of business knowledge was another factor mentioned by clients which lead to lower productivity hence failure to have enough fund to repay their loans. The study also revealed that there was a relationship between loan repayment performances with clients' businesses challenges, loan diversification to other non income activities and other outside factors such market imperfections, higher interest charges, drought etc.

In the context of providing loans, important loan characteristics issues that may have impact on loan repayment performance should be taken into consideration. In terms of loan administration, the study highlighted the importance of paying special attention to loan repayment period, loan size and Credit Officer Experience which constituted the factors affecting loan repayment performance in the study area at the period of research. In concluding, the repayment performance was influenced by clients' specific characteristics, PRIDE Tanzania specific characteristics and other external factors.

