

Analysis of factors that impede repayment of microfinance loans in commercial banks: the case of National Microfinance Bank (NMB)

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The general objective of this study was to analyze the factors that impede repayment of Microfinance loans in National Microfinance Bank Plc. Non repayment of loans is said to have significant contribution on the poor performance and quality of loan portfolios of the commercial banks. The total of 136 respondents from twelve national microfinance branches was sampled. Case study design and qualitative research approach method was used during the study. Methods of data collection used included interview research questions, questionnaires, documentary review schedules and observation schedules were used to collect data. SPSS aided in data analysis. Findings indicate that, the speed of loan repayment was low and borrowers failed to meet conditions stipulated in loan contract forms by delaying to pay loans. Findings also indicate that, loan defaults were due to, poor business performance, high interest rate, cheating by customers on purpose of the loan and poor loan supervision. Based on the study findings, the researcher recommends training to borrowers, strict scrutiny of the borrower prior to loan disbursement and the use of a well-designed loan appraisal system.