

**Loans recovery and the performance of the financial institutions in Tanzania: a case of  
Akiba commercial bank**

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This study focused on assessing the effect of ineffective loan recovery to the performance of the financial institutions. The objectives of the study were to assess the extent to which borrowers fail to recover their loans, to understand the microfinance institutions credit procedure and management and to determine the extent to which failed borrowers affect the performance of the Microfinance institutions.

A case study design was used, where a sample of 30 respondents was employed. Data collection methods were interview and documentary analysis whereas data collection instruments were questionnaire, interview guide and documentary analysis schedule. Data were analysed quantitatively. This was performed with the help of Statistical Package for Social Science (SPSS).

The study findings revealed that, there is a problem of ineffective loan recovery that affect the performance of financial institutions within the banking industry in Tanzania. The researcher revealed some of the causes that contributed to the problem, such as large number of borrowers who failed on timely repayment of loans, ineffective credit policy, absence of provision of business skills and knowledge on allocation and utilization of loan from a bank to the borrowers as well as insufficient of monitoring mechanism to assure timely loan repayment.

The study also recommended that financial institutions should put more emphases on the credit policy, which regarded as the key instruments guiding the operations of the organization, they should have clear and effective credit or lending policies and procedures and all must be regularly reviewed.