

**STATISTICAL ANALYSIS OF LOAN REPAYMENT IN
VILLAGE COMMUNITY BANK (VICOBA)**

A Case of Ilala District, Tanzania

By

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**A Dissertation Submitted in Partial Fulfilment of the Requirement for the
Degree of Master of Arts in Statistics of University of Dar es Salaam**

**University of Dar es Salaam
February, 2016**



ABSTRACT

Village Community Bank (VICOBA) is an economic group based on lending scheme focusing on fostering the participant's ability to innovate and manage viable income generating activities. This is aimed to reduce extreme poverty among group members in the community for the achievement of the Millennium Development Goal one (MDG1). VICOBA members share knowledge on how to generate income and how to use the savings through the provision of small loans for themselves. In some VICOBA groups, there was a lack of capital because loans taken by some members were not paid on time. Loan repayment in VICOBA is a challenge, although all transactions are made transparent to all members of the group. The most important thing for VICOBA to grow is to have a good status in loan repayment. However, factors associated with loan repayment in VICOBA can vary from one member to another, the study was important to find out the factors associated with loan repayment in VICOBA so that VICOBA members and implementers of VICOBA could be aware of the situation of VICOBA and how the problems can be solved so as to have good VICOBA groups in terms of economics and social for the benefit of the community and the nation at large.

A community based cross sectional study was employed in analyzing loan repayment determinants in VICOBA. A multistage sampling technique was used to obtain the study participants. A structured questionnaire on loan repayment was administered to the sampled members of the selected groups. The survey involved 404 VICOBA members from Ilala District. The collected information was analyzed by IBM SPSS.

More than three quarters; 82.7% (334 of 404) of the VICOBA members owned loan from their groups. Overall, 16% (53 of 334) of VICOBA members who owned loan were loaned defaulters. Multivariate analysis (logistic regression) was used to determine factors for loan default. Factors for loan default are the use of loan for investing in a new business ($P = 0.001$), short loan duration ($P = 0.001$), illness ($P < 0.001$) and poor performance of the business ($P < 0.001$).

There was a higher lending rate of loan by VICOBA members in Ilala District. Also, loan defaulting by VICOBA members was fairly high (16%). Use of the loan for investing in a new business, illness, poor performance of the business and short duration of the loan were factors for loan default in VICOBA. Therefore, implementers of VICOBA should revise loan duration for borrowers to reduce loan defaulting. Also, implementers should continue to train VICOBA members on business management and loan utilizations. Lastly the government should check out on how to organize the implementers of VICOBA to be under one organizaon.

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