Examining Microfinance Loan Repayment Challenges and Procedures by Small Business Owners: The Case of Vikenge Village, Morogoro, Tanzania

Gabriel V. Komba[1]
Mercy M. Komba[2]

[1]gabriel.komba@mu.ac.tz
[2]mmkomba@gmail.com

[1]https://orcid.org/0000-0001-5741-6478
[2]https://orcid.org/0000-0003-4133-2696

[1,2]Mzumbe University, Tanzania

ABSTRACT

The research surveys the factors affecting the ability of small business owners in Vikenge village to repay microloans. This study used institutional theory framework to investigates the constraints encountered by these firms, their means for handling these constraints, and offer hints for improvement. Applying a qualitative research design, semi-structured interviews were performed with 13 small business proprietors. Participants were purposively selected due to their experience in microfinance lending and efficient reimbursement. Through thematic analysis, substantial issues concerning repayment challenges, techniques, and recommendations for enhancement were proven. The survey reveals a variety of obstacles that influence the repayment of loans, for instance; unexpected events, personal and familial matters, fluctuations in the economy, seasonal fluctuations in business, and complications with cash flow. Methodologies for repayment include strategies like saving money daily, options for flexible repayment, clear communication, and seeking outside financial assistance. Surveyed respondents also offered supportive recommendations, such as using loans for their intended purposes, decreasing interest rates, allowing more flexibility in repayment schedules, providing enhanced customer education and support, ensuring loan amounts are appropriate, and improving monitoring and collection procedures. This research survey enhances value to the current body of knowledge by delivering detailed analysis on the repayment of microfinance loans in small businesses in Vikenge village. The results proposed practical recommendations for microfinance institutions to acquire tailored repayment strategies that meet the varied requirements of borrowers, eventually leading to improved financial accessibility and long-term viability.

Keywords: Repayment Procedures, Repayment Challenges, Rates of Interest, Borrower Perspectives, Collection Processes

I. INTRODUCTION

It has been documented that microfinance is a potent tool in poverty reduction and global economic development in countries where access to traditional banking services is limited. In these developing economies, microfinance institutions (MFIs) provide small enterprises with access to credit. However, despite the clear impacts of microfinance, the problem of ensuring the repayment of loans has been a huge issue. Many such studies have been made in this regard, which shed light on the interest rates, loan terms, borrower profiles, and economic conditions that propel trends in loan repayment (Kama, 2021; Islam, 2022; Masood et al. 2023).

An extensive survey of microfinance loans has been conducted on a worldwide scale, which has highlighted issues with the repayment of microfinance loans (Masood et al. 2023; Kurniawan et al. 2022; Islam 2022). A more recent study by Cruz et al. (2023) found that higher interest rates and shorter loan terms impact repayment rates most severely. High interest rates mean that borrowing is more expensive, which, in turn, has the potential to restrict borrowers from earning the required income to repay their loans. Moreover, since the duration of these loans is short, there is a demand to repay in quick time, posing obstacles for businesses which experience different cash flow. Similarly, Endris (2022) reveals the impacts of borrowers' discipline and acumen in their financial matters on timely loans repayment. Those who are in need of financial knowledge and managerial skills are more likely to abuse the loan funds and have problems in making timely payments. Financial training and education efforts have resulted in successful efforts to enhance borrowers' ability to manage their finances and repay their loans on time.

To this end, literature also identifies the effect of external influencing factors like economic recessions and changes in the business environment to borrowers upon the effect of repayments. For example, economic instability affords borrowers a more difficult situation in accumulating enough income to meet their obligation. For example, if there is a downturn, this would result in a fall in consumer demand which would lead to declines in sales and revenue for small businesses. Moreover, seasonal variation in the size of business operations (such as a fluctuation in sales because of the seasonal nature) may also prevent a borrower from paying back loans on a regular basis (Alperovych et al. 2022; Mahadevan et al. 2022).

According to Islam (2022), the users of microfinance services are usually vulnerable, because they are unable to escape from their social economic situations. A dearth of resources, the limited structural prevalence of sufficient social support systems and susceptibility to many other risks including health concerns and environmental catastrophes among others can aggravate payment issues. As a result, borrowers sometimes choose to cater to their short term survival needs ahead of loan repayments; hence defaults.

MFIs are very significant in determining repayment behavior. According to Yusuf et al. (2021) research, that shows that the policies and processes of the MFIs, including loan monitoring, flexibility in repayment terms and supportive services, contribute to the sustainability of loan repayments. In proposing flexible repayment options and grace periods, Cruz et al. (2023) allow borrowers the ability to manage their finances to avoid default.

Academic discourse has extensively discussed group lending models as a strategy to increase repayment rates (Protter and Quintos, 2020). Microfinance institutions extend loans to groups rather than individuals and can reap on peer pressure and mutual assistance among group members to inspire promotion of prompt repayment. However, this approach has revealed great success in societies where social ties are strong and people want to aid each other in periods of economic hardship (López-Sánchez et al., 2022).

Research at the global level helps paint the bigger picture, but it also needs to reflect specifically the conditions in each country and region. In Tanzania, small businesses experience a number of operational and financial challenges — including varied levels of business and cash flow, lack of financial literacy and access to support services. Tanzanian small business proprietors who operate in the informal sector, and who experience income curtailing varies, find it difficult to adhere to commercial banks' stringency repayment terms (Mwankemwa, 2022).

1.1 Statement of the Problem

In recent years, a number of individuals in Tanzania, including small business owners and private citizens, have found themselves trapped in cycles of debt after borrowing from financial institutions that impose stringent terms and high interest rates. These loans exhaust their saved funds, commonly known as "mikopo umiza au kausha damu" (loans that hit hard or drain blood). Many of those affected are individuals who obtain loans from smaller financial service providers rather than larger institutions like commercial banks with more extensive service offerings. Additionally, there are individuals who secure these loans through agreements with unregistered private lenders (Kihwelo, 2023; Banks et al., 2019).

To address this issue, the government, through the Bank of Tanzania (BOT), enacted the Microfinance Act, 2018 and established the Microfinance Regulatory Authority (MFRA) to oversee the microfinance sector and ensure that MFIs and Community-Based Organizations (CBOs) operate in compliance with regulations. This law prohibits conducting financial business and charging interest without a license. It also sets a maximum monthly interest rate of 3.5%, equivalent to 42% per year. Despite the presence of this legislation, many borrowers have continued to borrow from informal and unauthorized lenders. Consequently, they continue to struggle with hefty debt repayment, leading to the seizure of their assets, such as houses, land, furniture, and other properties. What many are unaware of is that some of these hardships could have been avoided if they had been more cautious before entering into agreements with these loan providers.

Despite an important role played by MFIs, many small business owners continue to encounter significant obstacles in loan repayment, threatening borrowers' financial stability and survival of MFIs.

1.2 Research Objectives

(i) To study challenges in the repaying microfinance loans by small business owners
(ii) To examine repayment processes in microfinance institutions
(iii) To gather opinion from business owners concerning ways of improving microfinance loan repayment processes

II. LITERATURE REVIEW

2.1 Theoretical Review

Utilizing the institutional theory, this study investigates microfinance loan repayment challenges and processes of small business owners. Further, the theory explains factors that shape, facilitate and channel the influence of institutional environment on social decisions (Bamfo et al. 2023; Atiase et al. 2023). Loan repayment challenges are in part due to several factors, e.g., institutional procedures, external shocks, borrower features. Bamfo et al. (2023) explains that repayment behavior is a distinctive outcome affected by policies as well as practices instituted by institutions. For instance, inflexible repayment schedules might lead to higher default rates (Sangwan, 2023). In the case of an MFI, the repayment process is central to the success. Institutional theory stresses the importance for the MFIs to have matched their processes with institutional norms and practices for their success (Millan et al., 2023). In theory, by improving institutional processes, the sustainability of MFIs is given. As an institutional strategy, provision of financial literacy programs are some of the ways which can help improve repayment outcomes that address structural and behavioral challenges faced by borrowers (Sangwan, 2023; Bamfo et al., 2023).

2.2 Empirical Review

A number of studies have been carried out on loan repayment in microfinance (López et al. 2022; Rahim et al. 2024; Ahlin and Debrah, 2023). However the existing research on the topic is replete with evidence of higher default rates without paying attention to the challenges that borrowers face in serving the loans. These reasons are of prime importance as they have immediate impact on both borrowers' financial stability and MFI viability.

The literature offers considerable empirical evidence that the borrower's profile plays a role in explaining repayment difficulty. Management skills and financial literacy, according to Rahim et al. (2024) even have significant impacts on the performance in the loan repayment. The researchers discovered that borrowers with substandard business management skills and little financial awareness are more prone to having trouble getting their loans repaid. But poor financial literacy makes it difficult to budget out loan repayments.

Mwambuli et al. (2023) show that institutional factors could lead to poor loan management practices that cause loan repayment behaviors to be affected. The authors contend that these poor loan management practices are due to social economic factors such as regulatory frameworks. In agreement with Scott (1995), he says that in most developing economies, employing actors with weak regulatory frameworks and attitudes can be healthy when compared to developed markets. Also, slow institutional development of e.g. banks and other financial institutions could explain loan repayment practices in developing countries. For example, based on the work by Surmanidze et. al., (2023), banking sector has a crucial role in financing growth of small business as well as in financial awareness. This is crucial, the study indicated, because the people with a reliable financial support system tend to effectively manage their repayment obligation whether in good times or bad times.

Looking from the lenders side, Msomi (2024) points out that there are several factors within MFIs that influence loan repayment. The study found that effective borrower support programs, including regular monitoring and financial education are essential for successful loan repayment. Similarly, Dorfleitner et al. (2022) analyzed the impact of institutional policies on loan repayment. They found that policies that promote timely repayments demonstrate empathy towards borrowers' repayment difficulties. Other institutional factors frequently reported in the literature to influence loan repayment rates include are high collection frequency, the extent of control tightness, incentives for loan officer, financing costs, and the timing of credit dispensing (Doering & Wry, 2022). Repayment processes within microfinance play a critical role in ensuring the long-term viability of MFIs and the financial well-being of borrowers. Efficient repayment processes are crucial for achieving high repayment rates, while poorly structured processes can lead to loan defaults and financial instability for both MFIs and borrowers.

The influence of unforeseen events, such as public health crises, environmental disasters, and economic downturns, on borrower's ability to repay a loan has been widely documented in the literature. Collier et al. (2024) used data from the U.S. Census Bureau and Business Credit reports that firms that applied for a government-provided recovery loan following a natural disaster. The study found that for borrowers with limited social safety nets, such events can negatively affect household finances, therefore causing borrowers to focus on immediate survival needs and thus delay in loan repayment (see also Lesego, 2020).

Group lending models designed to expand access to microcredit programs and mitigate risk through shared responsibility, may also encounter repayment challenges due to group dynamics (Kodongo & Kendi, 2013; Muchnick & Kollamparambil, 2015). Ahlin and Debrah (2023) conducted a field experiment with group lending models in Ghana. The findings suggested that peer pressure and social collateral within group lending arrangements can influence repayment patterns both positively and negatively. A cohesive group can encourage timely repayments, but a default by one member can erode trust within the group lending leading to increased defaults. More specifically, Muchnick and Kollamparambil (2015) studied the impact of group homogeneity on repayment performance. Their findings indicated that large group sizes and mixed-gender groups (as opposed to groups with only females) were more likely have a negative impact, while more homogeneous groups showed better repayment performance.

Another strand of the literature has examined how behavioural and psychological traits of borrowers predict the credit default. Goel and Rastogi (2023) confirmed that certain non-financial factors can be assessed when granting a loan to a borrower. These factors can be used to develop a subjective credit scoring model that can quantify and verify the soft information, such as character and reliability of debtors. Friedetzky et. al., (2024) found that aligning repayment schedules with borrowers' unpredictable income patterns can significantly improve repayment rates.

Similarly, Sangwan (2023) noted that flexible repayment terms are beneficial as they accommodate income fluctuations, leading to better repayment outcomes, while rigid repayment schedules increase the risk of default.

The advancement of technology has also revolutionized the way MFIs disburse and manage loan repayment performance. Millan et. al., (2023) for example, explored the implications of mobile banking technologies on the loan performance of DT SACCOS in Mombasa. The study found that the incorporation of digital payment systems and mobile banking significantly improves repayment efficiency by lowering transaction costs and enabling borrowers to experience convenient payment plans. However, Rozzani et. al. (2015) who examined the implementation of technology in the disbursement and repayment of MFIs from the clients' perspectives, reported that while clients were fairly satisfied with the disbursement process through a mobile solution, the same conclusion could not be drawn for the repayment process. It can therefore be safely concluded that while technology is acknowledged to have a positive impact, its benefits in loan management may vary between different aspects of the loan process.

III. METHODOLOGY

3.1 Research Design

Research utilised a qualitative approach to ensure effective understanding of successful microloan repayments, challenges, and processes. Creswell (2009) said that this design enables the researcher to go further into the responder's experiences, point of view and ideas concerning the factors affecting loan repayment mechanisms. As for obtaining more detailed insights about the processes and issues related to stable micro-loan repayment, this survey employed a qualitative methodology as the research method.

3.2 Population and Sample Size

The study was carried out at Vikenge village in Mvomero District, Morogoro region, Tanzania. For the purpose of the study, purposefully selected thirteen (13) small business owners each having microfinance knowledge and (2) effective practices of loan repayment so as to have their thoughts on the distinct factors that make loan reimbursement a reality. This selection match with suggestion by Streubert and Carpenter (2003) that advocated that the researchers select cases that allow broader information for the in-depth study.

3.3 Data Collection Methods

Interviews were conducted with the use of a semi-structured interviews guide. This was to understand the loan repayment behaviour and the challenges that borrowers face. Open ended questions were used to allow researchers to gain a deep understanding of the elements contributing to borrowers' capacity to fulfill their financial obligations, as suggested by Creswell (2009).

Informed agreement before the interviews was mandatory in the participants. Interviews were conducted either in person or remotely (remote option being considered based on logistical considerations). To ensure accurate analysis and transcription, they were audio recorded. Interview sessions with participants took between 30 to 45 minutes, during which participants shared their perception and viewpoint of loan repayment practice. This methodology refers to Creswell (2009) in the design of interviews; hence participants can freely express their opinions which can be used for data collection.

3.4 Data Analysis

Every bit of information gathered was recorded to give exact data. As part of the assessment I read through the recordings severally in order to identify trends and insights. Open coding was used to categorise important data sections, while axial coding was used to create links among these sections. These categories were streamlined by selective coding to fundamental subjects that addressed research analyses. Evaluation, recognition and explanation of these topics were supported by thematic analysis, enabling the identification of meaningful patterns in the data. For in depth grasp of the result we interpreted them in light of the research questions as well as the other existing literature (Braun and Clarke, 2019). The method used to confirm data saturation, which ensures the collected data adequately answered the research inquiries and matters, was the methodology defined by Braun and Clarke (2019) for thematic analysis.

IV. FINDINGS & DISCUSSIONS

4.1 Challenges in the Repaying Microfinance Loans by Small Business Owners

As discussed above, the main aim of this research was to conduct studies about people's views on debt repayment problems. Results indicated that unpredictable circumstances, personal and family problems, market fluctuations, economic turbulence, market downturns, and financial restrictions were identified as key factors of disputes concerning loan repayment. Below we discuss the details for these aspects.

Unexpected events have a huge impact on borrowers' ability to meet repayment commitments. In a personal example, respondent R8 replied that suffering from illness put him in a situation where he couldn't meet his loan repayment plan, "I once suffer to pay my loan on time." I used the money I had saved, but I used it also to aid me paying for medical bills when I fell sick for the whole month. To repay the loan I had to borrow from a relative…." These results are in line with research which shows borrowers are susceptible to unforeseen events (Collier et al., 2024).

Facing problems with a repayment of a loan is directly related to the problems of individual and family nature. Respondent R2 echoed this concern of repaying money at times 'due to family issues." That is why the money that I saved to pay off the loan is what I used to solver family matters." "I also encountered difficulty in making my first payment due to a personal problem (health problem) thus requesting an extension to repay my loan from the microfinance institution", was also mentioned. These challenges in turn result in delays in payments, and associated penalties. This finding, in a way, confirms Islam (2022), which attributes loan repayment to personal factors. The research emphasizes that individuals availing of microfinance services are usually constrained by their socio economic situations.

In addition, the periodic nature of commercial activities constitutes a major obstacle. According to participant R13, agricultural companies are seasonal in nature since "Agricultural enterprises follow seasonal patterns, profits are realised after harvest, loan repayments are monthly." In addition, R3 said: "Payments in construction projects come with elongated payment horizons thus leading to delays of payment of loans." This is consistent with studies which identified problems in other sectors where borrowers are seasonal. According to the results, adding adaptability to the repayment conditions would ease the financial pressure bearing on borrowers and, in turn, improve the repayment performance (Sangwan, 2023).

Small business owners often struggle with cash flow problems. "I do have some challenges in paying back my loan on time; because some of the shop owners whom I do sell my products to, don't pay me on time," said respondent R4, highlighting cash flow-related difficulties. This is consistent with research by Sangwan (2023), who found that small business owners frequently deal with considerable cash flow fluctuation. Another respondent, R5, said, "The majority of the issues were brought on by the quickest payment schedule. There are weeks when sales are really less, which makes it challenging to have the money to repay the installment." This result is consistent with research by Friedetzky et al. (2024), who found that shorter repayment periods can raise the burden on borrowers, mainly in weeks of low sales. These results emphasize on the variety of loan repayment challenges that small business owners have, from personal and health difficulties to business and economic constraints.

4.2 Repayment Processes in Microfinance Institutions

This section analyzes the approaches used by small business owners in Vikenge village to repay microfinance loans and how these approaches impact their capability to fulfill their financial obligations. Research indicates that the loan repayment tactic involves a variety of challenges and approaches, like; daily savings, notifications adaptable payment options, and efficient communication, as well as the influence of external financial assistance. The findings for approaches used in the repayment processes are presented below:

Maintaining regular savings is crucial in making sure loans are repaid on schedule. "I have to save some money, for example 10,000 to 20,000 Tanzanian shillings (TZS), when I collect money from shop owners," responded Respondent R1. "I do this almost every time I get the money." They said, "It might come from my own selling. I can make TZS 25,000, for instance, on Sundays. I save 20,000 and use the remaining TZS 5,000 for other requirements." Respondent R4 also said, "I am saving TZS 10,000 every day because I am worried about defaulting." This habit of saving a percentage of daily income is consistent with the findings of Rahim et al. (2024), who found that disciplined saving is essential to effective loan repayment.

Another important consideration is the repayment process's flexibility. Respondent R7 revealed, "microfinance is flexible; if I want to, I can pay with any amount at any time." Two weeks before to the due date, I usually begin saving the repayment. The microfinance provides me extra time to pay if I am running late." Respondent R12 further stated, "The payment was quite flexible, you are allowed to pay the installment using mobile money, cash deposit, or bank deposit." This flexibility makes it easier for borrowers to better manage their repayments. These findings align with the findings of Sikira et al. (2024) who found that rigid repayment plans and a lack of flexibility could increase the likelihood of default, especially for borrowers with inconsistent income streams.

Microfinance organizations have to provide reminders and proper communication. Respondent R2 was also recorded to have stated "… microfinance call me one day before the due date and I usually pay one day before the due date." "If I don't have enough cash to pay off at the time die want, I will lose credibility from my microfinance," they continued. The result coincides with the findings of Msomi's (2024) study, which highlighted that a consistent reminder increase borrower payback rate significantly.

Respondent R6 emphasized the significance of keeping daily revenues separate for various uses: "And I ensure I top up the phone (Tigo Pesa) everyday…a certain amount." "We've also listed my profit here… How much I've spent on foods and goods. I detach, totally!" This shows that doing money management in disciplined manner, as advised by Msomi (2024), when financiers engage the borrowers in financial education programs this will provide the borrowers with knowledge and skills to prioritise loan repayment, handle their money and understand loan conditions. This can be saving, budgeting or instruction on sound financial planning.

External funding is also used to pay loans. For instance, respondent R10 said, 'If I don't have enough to pay back at the right time I normally borrow from family and friends to repay loans every month.' I am an employee, R6 added, stating that I wield the power and are compelled to pay my monthly loan installments by deducting it from my monthly salary. This result is consistent with findings from Surmanidze et al. (2023) that external financial aid significantly contributes to loan repayment performance.

Higher interest rates and administrative problems were also mentioned. Respondent R3 said 'I have found even in my area (Morogoro) there are different microfinance institutions that dictate different and relatively high interest rates depending on factors such as capital investment, insurance coverage and turnover without that uniformity that is there in the traditional banks'. They also had problems during the application process, and say: 'I once had difficulties when applying for one of the MFIs because they asked for premises information (which I did not have), and business details I provided later enabled the loan to be granted to somebody, without a proper review of the customer profile.' The observation is in accordance with research done on the micro finance sector highlighting problems of high interest rates and administrative obstacles. For one, Cruz et al. (2023) discovered that interest rates and short repayment periods have an important relationship with repayment rates. Hence, increased interest rates make borrowing more expensive, which may stop the borrowers from earning enough income to pay the loan. Islam (2022) pointed out that loan repayment processes might be made more convenient for the savings of transaction costs as well.

Flexible repayment terms can work to ease borrowers' financial strain and allow for the ability to make payments on time, the survey's outcomes indicate. For example, pressure of not having sufficient money to pay back at the right time, helped by respondent R5 who said, "If I do not have enough money to pay back at the right time, I will lose my trust with the microfinance". As mentioned above, Sangwan's (2023) also has a similar finding that by providing flexible repayment alternatives, default risk is reduced, as well as maintaining trust between the borrowers and microfinance institutions.

4.3 Suggestions for Improving the Repayment Process

This section aims to present and critically discuss suggestions made by small business owners in Vikenge village on how to remedy microlending loan repayment problems. It recommended loans be used for its purpose, reducing interest rates, making repayments more flexible, customer education and support, making sure proper loan amounts are given and improving loan monitoring and collection processes.

The most common of these advices is to ensure that loans are used for their intended purpose. According to Participant R2, "The paramount concern is how those funds will actually be used (i.e. for business expenses)." "Individuals may misuse the loan for non-loan reasons resulting in their eventual failures." This brings to attention the critical requirement for borrowers to be financially prudent. This result is in line with Endris's (2022) research that shows that people with no financial literacy or managerial skills stand a high probability of misusing loan monies and failing to pay back loan arrears on time.

A big problem for people who need to borrow is when a high interest rate is involved. For our kind of small business R8, the interest rate is too high and ought to be lowered especially given our present financial performance, Respondent R8 added. Respondent R3 also offered: 'The interest should be reduced.' Microfinance, allowing repaying early, is great, but the interest rate is still a bit high." According to Cruz et al. (2023), imposition of high interest rates could be difficult for small businesses, as lowering of interest rates could enhance repayment rates and sustain long term business viability.

Respondents also suggested enhancing customer support and education. Respondent R13 advised, "Microfinance does not allow customers to pay back prematurely and should monitor its customers from time to time rather than depending on the call reminder. Educate customers on the importance of opening a bank account."

Education and financial literacy are crucial for effective loan management, supporting the findings of Msomi (2024) and Loreño and Teves (2023) who advocate for comprehensive borrower education and personalized support from loan officers can significantly enhanced repayment results.

Establishing backup accounts was another proposal. Respondent R12 suggested, "I recommend... that when a customer visits, the microfinance institution should establish a backup account for her... When you obtain a loan, starting at fifty thousand, designate ten thousand as a deposit to be held with the microfinance institution as your savings. If you borrow one hundred thousand, deposit twenty thousand, ... these are simply illustrations, to ensure that in case of default, the balance in your reserve account can provide assistance." This relates with the idea of compulsory savings explored by Rahim et al. (2024), which can serve as a safety mitigation for borrowers.

One of the sampled respondents, R3, states that there is an acknowledgment of ensuring loan amounts are suitable compared to the borrowers' income levels into an important factor. 'MFIs should make loans aligned to their borrower's income levels to mitigate default and non-performing loans,' they said. In addition, they emphasised the significance of rigorous follow up procedures which would 'involve MFI targeting rigorous follow up procedures including assessment of credit worthiness and regular visits to business premises.' As noted, proper loan sizing and monitoring is critical to the overall health of loan portfolios. The above finding is consistent with research conducted by Msomi (2024) which suggests that borrowers will be exposed to better borrowing services and as a result their understanding of loan terms, budgeting and late payments will be enhanced. These initiatives, by driving borrowers to make better financial choices, can help bring down default rates.

According to Respondent R5, taking into account the business prospects compared to collateral would bring dramatic impact since MFIs "should not only think of the customers with collateral but also think of their business prospects and plans." The recommendation conveys a view in line with Ahlin and Debrah (2023) that, if a company's potential is fairly assessed, non-collateral lending is possible.

Another recommendation was to extend the loan repayment period. Respondent R10 said, "the microfinance should increase the loan repayment duration for loans from TZS 500,000 to at least six months." They further added, "MFIs should also be more understanding when a customer is challenged with repayment; they shouldn't harass their customers." Borrowers may not feel as pressured by longer repayment terms. This result is consistent with that of Cruz et al. (2023), who found that short loan terms have a major influence on payback rates.

Respondent R12 appreciated the current repayment procedures while emphasizing the significance of installment payments. They noted, "The current repayment process is suitable as it permits repayment on an installment basis, facilitating on-time loan reimbursement." Installment-based repayments have been identified to enhance repayment responsibility and borrower ease, as acknowledged by Sikira (2024).

Respondent R1 explained the group lending approach, pointing out that "microfinance lent money to their members based on groups. The group members are the ones who follow up to ensure that the other member pays if one of them forgets to make their installment." Similarly, Ahlin and Debrah (2023) found that group lending can enhance payback rates through peer pressure and mutual support. A strong group dynamic can encourage prompt repayments, but when one member defaults, trust in the group is damaged, which can encourage other members to default as well.

Finally, Respondent R9 recommended the MFI to emulate bank-style top-up procedures and stressing the value of borrower education and collateral verification: "The MFI ought to think about employing a Top-Up method that banks utilize, as it facilitates repayment. When granting a loan, the MFI must take into account the need for collateral verification. The borrower's traits should be equally evaluated, according to MFI. Micro and medium-sized businesses in particular should receive financial management training from MFI." These recommendations are consistent with Msomi's (2024) finding, which emphasizes the significance of thorough evaluation and training for the implementation of effective microlending initiatives.

The suggestions for enhancing the repayment process for the small-scale businesses in Vikenge village comprise of the following: Checking the validity of the requirements of loans, reducing the interest rates, flexibility in the repayment terms, enhancing the customer awareness, creating emergency funds, ensuring that suitable loan amounts, tightening up the internal controls, and enhancing the collection procedure.

V. CONCLUSIONS & RECOMMENDATIONS

5.1 Conclusions

When investigating the obstacles inhibiting small business owners of Vikenge village from repaying loans, it was clear that the pillars of these hurdles are very complex. Personal and family troubles, unexpected occurrences, economic downturns, cash flow issues, or fluctuations in business operations can all present serious challenges to preventing borrowers from completing repurchases on their schedule. Obstacles are presented that expose small business owners to disruption from both internal and external origins that threaten their financial strength and ability to make loan payments.

Micro business owners rely on repayment schedules to stress the importance of tactics such as daily consistency in savings, the offer of flexible payment plans, and effective communication with MFIs. Finally, outside financial assistance furthers the connections of financial networks within communities. Today, challenges such as excessive interest rates and inefficient administrative processes still persist – stressing the need for MFIs to implement more borrower-friendly processes and guidelines.

The results emphasize the importance of understanding the overall landscape of repayment for small business owners. MFIs should recognize and monitor to the unique problems they face in order to sustain microfinance programs and yield better repayment results from the customers. Addressing these issues is necessary to improve the financial inclusion and economic resilience of small business owners.

5.2 Recommendations

Finally, MFIs should be encouraged to make available flexible repayment arrangements (such as roll over clauses, installment plans, moratorium, capitalisation, etc.) tailored to the cash flow patterns of small enterprises. They might, for instance, design seasonal loan repayment schedules for agricultural businesses, or forbear repayment when economic conditions tighten. To sustain repayments, frame accordingly, especially in periods of low economic activity, MFIs are suggested to consider reducing interest rates or adopt a tiered interest rate system based on the extent of risks of borrowers.

Enhanced financial education initiatives are essential. Thus, microfinance institutions must also offer clients comprehensive financial literacy and business administration courses that encompass issues like budgeting, creating and executing a saving plan, as well as efficient cash flow management. An emergency fund or a loan savings account proves to be a financial cushion for borrowers who face uncertain situations. Optional minor accumulations from borrowers may accrue into this fund and can be used to cover borrowings when the need arises.

By strengthening their communication techniques, MFIs can send reminders that can be easily understood and offer personalised support to borrowers. Regular monitoring and advisory services help borrowers handle their loan repayments effectively and resolve any financial challenges swiftly. The flexibility in utilizing funds availed through the loan can enable the borrowers to deal with urgent personal or familial needs without declaring themselves in default.

Strong, efficient monitoring and evaluation mechanism must be formed in order to adequately check a venture's performance and the behavior of borrowers in repaying loans. Regular assessments can help catch potential repayment problems early on, and the possibility of early intervention and support for borrowers.

Borrowers should make use of the loans for its intended purpose. This may be for company ventures rather than unplanned spending. It means that borrowed loan can earn profits or revenue which can in turn be utilized to repay loan. Policy makers must come up with policies that promote MFIs to offer flexible, loan repayment options that are tailored towards industries like agriculture that are characterized by income variability. Putting in place regulations which restrict the interest rates can protect small entrepreneurs from exorbitant borrowing expenses.

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