



CREDIT TERMS, BORROWER CHARACTERISTICS AND LOAN REPAYMENT IN MICROFINANCE INSTITUTIONS OF JINJA MUNICIPALITY

ABSTRACT

This study was about Loan recovery in MFIs in Jinja municipality. The main objectives were to examine the relationship between credit terms and loan recovery of MFIs, to examine the relationship between the borrower characteristics and loan recovery of MFIs, to examine the relationship between credit terms and borrower characteristics of MFIs and to examine the mediating effect of borrower characteristics on the relationship between credit terms and loan recovery of MFIs in Jinja municipality.

In the study a cross sectional research design was applied and 332 respondents were sampled. The questionnaires were distributed to both employees and clients of MFIs in Jinja municipality which helped in getting their opinions on loan recovery in Micro finance Institutions.

Findings show that credit terms influence 60.6% of loan recovery in Microfinance institutions. Credit terms include Interest rates, repayment period, and collateral. When the interest rates are relatively low with medium term period and money given to clients with collateral, MFIs are able to recover their loans. Data collected also shows that borrower characteristics that include Income, level of education and ability and will to pay influences loan recovery.

Findings also reveal that there is a positive significant relationship between credit terms ($r=.627$), and a positive significant relationship between borrower characteristics and loan recovery ($r=.529$). This means that any positive change in credit terms and borrower characteristics have positive impact on loan recovery in MFIs.