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Loan Repayment and Default among Beneficiaries of Bank of Agriculture (BOA) Loan Scheme in Ogun State, Nigeria

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Abstract. This study focused on analysis of loan repayment and default among beneficiaries of Bank of Agriculture (BOA) loan scheme in Ogun State. The three zones of the bank operation were sampled using multistage sampling techniques. Primary and secondary data were utilized for the study and obtained with the use of a well structured questionnaire from 109 sampled respondents. Both descriptive and inferential statistics were used to analyze the data collected in line with the study objectives. The results obtained on the socio-economic characteristics of the beneficiaries revealed that majority of them were male (58.7%), age less than 50 years (75.2) with an average age of 42.51 years per beneficiary, married (75.2%), had household size of 5 (mean) per household, literate with vast majority (98.2%) possessing one form of formal education or the other (71.6%), engaged in farming as main occupation had an average of 5 years of farming experience and (64.2%) practiced Christianity as religion. The factors that examine the reasons for loan default and the rate of default among the beneficiaries of the BOA loan revealed that the majority of the respondents considered poor weather condition (96.3%), late disbursement of loan (93.6%), marketing problems (92.7%), delay in loan approval (86.2%), short repayment period (71.6%), lack of business advisory services (63.3%) and high interest rates (57.8%) as the reasons for loan default in the BOA loan scheme. The three highest-rated reasons were poor weather condition, late loan disbursement and marketing problems. By implication, if all these factors are addressed, approval process like delayed loans approval, and late disbursement of loan, would be improved upon, it shall in turn reduce the default rate of the Bank. The findings obtained from the field also revealed that 5% of the loans disbursed suffered default in the study area. An evaluation of the factors that determined the amount of loan obtained revealed that age, education, farm size, amount repaid, past records and annual net income are the important factors determining the loan amount obtained from the Bank. In terms of constraints to the BOA loan acquisition, high interest rate, bureaucracy and inability to provide a guarantor were adjudged as the major constraints to loan acquisition in the Bank of Agriculture in Ogun State.

Keywords: Loan Scheme, Repayment, Default, Interest Rate, Acquisition.

1. Introduction

Despite the significance of the agricultural sector, its performance over some decades has been rather disappointing in view of its low productivity. However, if the country has to feed, reduce abject poverty and attain a satisfactory level of sustainable economic

growth, the poor performance in the agricultural sector should be addressed. Agriculture remains the main stay of the rural economy in Nigeria as it provides employment for about 70% of the work force. However, less than 50% of the country's cultivable agricultural land is under cultivation because small-holders' farmers often use rudimentary production techniques to cultivate most of the land thereby resulting in low productivity (Manyong *et al*, 2005; Mohammed and Abdulquadri, 2012). The small-holder farmers are constrained by many problems including those of poor access to modern inputs, inadequate credit facilities, poor infrastructure, inadequate access to markets, environmental degradation, and inadequate agricultural extension services (Venerakumaran, *et al*, 2005; Adedayo and Yusuf 2004). In an effort to overcome some of these problems, donor agencies and governments have emphasized Agricultural Co-operatives as a strategy to promote collective action to strengthen small-holders livelihoods by linking them to national and international markets. Prior to the establishment of the ACGS, the Nigerian Agricultural Cooperatives Bank was established in 1973 with the primary roles of improving the level of agricultural production and promoting the development and growth of cooperatives by assisting farmers to overcome the problem of inadequate fund (FGN 2000; FAO 2011, CBN 2014).

Generally, repayment rate have remained quite low and poor. As such, these government sponsored loan provision schemes are more or less avenues of welfare or patronage, rather than sustainable commercial schemes. The high rate of default nevertheless reduces the loanable fund available and requires substantial amount of administrative cost and time to recover the loans. Potential beneficiaries seldom benefit from reliable and preferential access to future loan funds. As noted in the works of Bwonya-Wakuloba,(2012) the prevalence of strategic defaulting can be optimal for the lender to ration loans, and maximized loan offered decrease with the interest rate. It therefore follows that demand for these productive loans is still higher than the supply due to the problem of high defaulting rate (Ajakaiye, 2010). Consequently, this creates high moral hazard problems and mistrust which deter financial needs of farmers. This issue of delinquency among other issues therefore makes the policy of providing these cheap loans by government not to achieve its desire result. This study therefore attempts to evaluate the loan default rate.

Awoke (2004) reported that high rate of default arising from poor management procedures, loan diversion and unwillingness to repay loans has been threatening the sustainability of most public agricultural loan schemes in Nigeria; thus warranting an empirical probing and the need to critically assess factors affecting the rate of loan allocation to societies by bank of agriculture. A detailed understanding of these factors may provide necessary information towards designing a more effective and sustainable loan system that can serve resource poor farmers better (Zarafshani, *et. al*, 2010; Pasha & Negese, 2014), Against this backdrop, this study is being undertaken to supplement existing literature and also serve as a bridge pillars between the bank of agriculture and farmers in ascertaining factors that influence their willingness or unwillingness to meet credit need of rural farmers.

2. Objectives of the Study

The broad objective of the study is to analyse Loan Repayment and Default among Beneficiaries of Bank of Agriculture (BOA) Loan Scheme in Ogun State, Nigeria. The specific objectives are to: identify the reasons for loan defaults and rate of loan default among the beneficiaries of BOA and examine the factors that determine the amount of loan obtained, repaid and default by the farmers in the study area

3. Research Methodology

3.1 Study Area

The study was carried out in Ogun State, Nigeria, which was created in February 1976 with Abeokuta as the State capital. The State shares an international boundary with the Republic of Benin to the west and inter-state boundaries with Oyo State in the north, Lagos State in the South and Ondo State in the East.

The State has a landmass of about 1.7 million hectares. It is currently made up 20 Local Government Areas (LGAs) spread across four main divisions – Egba, Ijebu, Remo and Yewa/Awori (NPC, 2006).

3.2 Sources and Methods of Data Collection

Both primary and secondary data were used for this study. They were obtained through well-structured questionnaire which was administered by trained enumerators. The following information were collected from the respondents' socio-economic characteristics, amount of loan given to farmers, whether or not farmers were able to repay for their loans on time, interest charged on loans given to them, timeliness of disbursement of loans, farm size and other factors influencing loan repayment of beneficiaries of BOA in Ogun State.

3.3 Sampling Techniques

Multistage sampling technique was used in selecting the beneficiaries. The first stage was a purposive selection which indicates the three zones. This ensures that all the operative bases of the Bank were all covered. The second stage was a random selection of four Local Government Areas from each of the three zones that where BOA branches are located. The last stage was random selection of 10 beneficiaries from each of the 12 Local Government Areas LGAs, forty farmers from each zone which are Abeokuta zone, Ijebu zone, and Imeko Afon zone from the list of farmers that were made available. In all, a total of one hundred and twenty (120) respondents were randomly sampled. However, after thorough field editing only one hundred and nine (109) were useful for the study.

3.4 Methods of Data Analysis

Descriptive statistics such as frequency distribution tables, percentages and measures of central tendency were used. to describe socio-economic characteristics of the respondents and identify reasons for loan default. While, multiple regression was used to examine factors that determined the amount of loan obtained, repaid and defaulted by the farmers.

Rate of default: Measures the amount institution has declared non-recoverable as a percentage of portfolio.

Rate of default (%) =**%** default × Mean Relative Amount Received

Loan default (%=Total Amount Due – Total Amount Repaid×100

Total Amount Due

Amount Repaid: Amount of loan repaid by the farmers. (₦)

Loan Default = Amount of loan deficient to be paid after the duration date calculated

Factors that determine the amount of loan obtained by the beneficiaries

The model is implicitly specified as follows;

Y = f(X_1, X_2, X_3, X_4…… X_n + ei)……Equation (i)

The model is explicitly specified as follows;

$Q = \propto + \beta_i X_i + \mu_i$ … … … … … … … .. Equation (ii)

Where Q = Amount Obtained (₦)

$\propto$ = Constant term of the regression

β= Coefficient of X input

X = Independent variables

μ = Error Term.

The model is explicitly specified as follows:

Q = bo +b_1X_1 + b_2X_2+ b_3X_3 +b_4X_4 +b_5X_5 +b_6X_6 + b_7X_7 +U……(iii)

Q = Relative amount obtained (₦)

X_1 = Borrowers age (Years)

X_2 =Loan beneficiaries educational level (years)

X_3 =Farm size (hectares)

X_4 =Loan Experience (years)

X_5 =Household size (in number of person)

X_6 = Amount repaid (N)

X_7 =Annual Net income (₦)

b_1 , b_2……b_7 are coefficient to be estimated.

Model Specification

Correlation

It gives an indication of the strength and direction of association between two variables, which are linearly related. Moment Correlation Coefficient) formular is mathematically denoted as

r = $\frac{n\Sigma xy-(\Sigma x)(\Sigma y)}{}$

$$\text{……..Equation (i)} \quad \sqrt{(n\Sigma x^2-(\Sigma x)^2)(n\Sigma y^2-(\Sigma y)^2)}$$

The significance of r is as follows:

r = + 0.1 – + 0.5	=	+	Weak Correlation
r = + 0.6 – + 01.0	=	+	Strong Correlation
r = - 0.1 – - 0.5	=	-	Strong Correlation
r = – 0.6 – - 1.0	=	-	Weak Correlation…….Equation (2)

Where: Y = Amount repaid (₦)

X_1 = Age of the farmers
X_2 =Marital Status (dummy)
X_3 =Household Size (person)
X_4 =Educational level (years)
X_5 =Loan Size (₦)
X_6 =Loan Experience (years)
X_7 =Repayment rate (%)

4. Results and Discussion

4.1 Socio-economic characteristics of the respondents

The socio-economic characteristics of the respondents are presented in Table 1. An assessment of the socio-economic characteristics of the respondents becomes important because of its tendency to influence their borrowing and repayment behaviours. As stated below, Sex of borrowers could have implications on loan repayment and by implication, default. It is important to understand how the respondents' sex would likely influence loan repayment. This could facilitate credible loan administration. The results revealed that the majority (58.7%) of the respondents were male. It is evident that majority (75.2%) of the respondents were younger than 50 years with mean age and standard deviation of 42.51 and $\pm$11.03 years respectively. Result on marital status reveals that majority (75.2%) of the respondents were married. This is an indication that married people were the predominant beneficiaries of the BOA loan.

Vast majority (83.5%) of the respondents had at most 6 individuals in their households with an average of 5 individuals per household. This household size is considerably moderate and may not have substantial effect on the use of borrowed fund for unintended household consumption expenditure. In other words, the level of the household size may not have significant effect of repayment. The results on education of respondents analyse that only minority (1.8%) of the respondents had no any form of formal education. This implies that the vast majority (98.2%) had one form of formal education or the other. Besides, substantial number (39.4%) of the respondents had HND/BSC certificates. Obtained results revealed that vast majority (71.6%) of the respondents were farmers. With the high level of education among the beneficiaries, there is the tendency that if they invest the loan in farming, reasonable profit could be generated that will enable repayment of the loan. Also an evaluation of the farming experience of the beneficiaries revealed that the majority had between 1-5 years of experience with an average of 5 years per beneficiary. This experience level is relatively low and might not be unconnected to the high level of education that might have accounted for substantial years in the beneficiaries' lifespan.

Evidence on the table below shows that the majority (66.0%) of the respondents earned at most ₦100,000 per month. The mean farm income and standard deviation revealed high level of variation in income of the beneficiaries. The results on Religion revealed that the majority (64.2%) of the respondents were Christians. Notwithstanding, the number of Muslim beneficiaries (35.8%) were also substantial.

Table 1: Socio-economic Characteristics Distribution of Respondents

Characteristics	Frequency	Percentage	Cumulative Frequency
Sex			
Male	64	58.7	
Female	45	41.3	
Age (years)			
20-29	9	8.3	8.3

30-39	30	27.5	35.8
40-49	43	39.4	75.2
50-59	22	20.2	95.4
> 60	5	4.6	100.0
$\bar{x}$ = 42.31, SD = ±11.03			
Marital Status			
Single	11	10.1	
Married	82	75.2	
Divorced	4	3.7	
Widowed	9	8.2	
Separated	3	2.8	
Household Size (Person)			
1-3	37	33.9	33.9
4 - 6	54	49.6	83.5
7 – 9	14	12.8	96.3
≥10	4	3.7	100.0
Mean ($\bar{x}$) = 4.5, Standard Deviation (SD) = ±2.49			
Education			
No formal education	2	1.8	
Adult literacy	5	4.6	
Primary education	3	2.8	
Secondary education	23	21.1	
OND/NCE	33	31.3	
HND/BSC	43	39.4	
Occupation			
Banking	2	1.8	
Business	1	0.9	
Civil service	1	0.9	
Farming	78	71.6	
Sailor	2	1.8	
Tailoring	1	0.9	
Teaching	15	13.8	
Trading	9	8.3	
Farming Experience (year)			
1-5	82	75.2	75.2
6-10	20	18.4	93.6
>10	7	6.4	100.0
Mean ($\bar{x}$) = 5, Standard Deviation (SD) = 4.9			
Income (₦)			
≤50,000	34	31.2	31.2
50,001-100,000	38	34.8	66.0
100,001-150,000	28	25.7	91.7
>200,000	9	8.3	100.0
$\bar{x}$ = N147,404, SD = ±N220,818			

Source: Field Survey, 2017

4.2 Reasons for loan defaults and rate of defaulters among the beneficiaries of BOA

The respondents were asked to respond to a list of loan default reasons identified in the literature. It is evident in the Table 10, that the majority of the respondents considered poor weather condition (96.3%), late disbursement of loan (93.6%), marketing problems (92.7%), delay in loan approval (86.2%), short repayment period (71.6%), lack of business advisory services (63.3%) and high interest rates (57.8%) as the reasons for loan default in the BOA loan scheme. The three highest-rated reasons were poor weather condition, late loan disbursement and marketing problems. By implication, the researcher is of the view that, if all these factors are addressed, approval process like delayed loans approval, and late disbursement of loan shall be improved upon which shall in turn positively affect the default rate of the Bank by reducing default.

Table 2: Distribution of respondents by reasons for loan default

Reasons for Loan Default	Frequency	Percentage	Rank
Delayed loan approval	94	86.2	4th
Late Disbursement of Loans	102	93.6	2nd

High Interest rates	63	57.8	7th
Short Repayment Period	78	71.6	5th
Lack of Business Advisory Services	69	63.3	6th
Poor weather conditions	105	96.3	1st
Marketing problems	101	92.7	3rd

Source: Field Survey, 2017

Estimation of loan default rate of the beneficiaries

Rate of Default

Total Amount Default = Total Relative Amount Due – Total Relative Amount Repaid
₦118,303,150 – ₦112,150,655
= ₦6,152,495

Overall Loan Default = Total Relative Amount Due- Total Relative Amount Repaid\
Total Relative Amount Due

= ₦118,303,150 - ₦112,150,655 x 100
₦118,303,150
1

= 5.2%

Where:

Total Relative Amount Due = ₦118,303,150
Total Relative Amount Repaid = ₦112,150,655
% Overall Rate of Loan Default = 5.2%.
The above calculation obtained from the field revealed that over 5% of the loans were defaulted in the study area.

4.3 Factors determining the amount of loan obtained by the beneficiaries

Multiple regression model was employed to analyse the determinants of BOA loan obtained by the respondents. Age of respondents (X_1), level of education (X_2), farm size (X_3), loan experience (X_4), household size (X_5), amount repaid (X_6) and annual net income (X_7) served as independent variables. The adjusted R^2 of 0.682 indicates that about 68% of the variation in loan obtained is captured by the variables included in the model. The remaining 32% is due to unexplained variation in the amount of loan obtained by the respondents. The significant F-value (at 1% level) also shows that the model is a good fit to the data.

Data on Table 3, revealed that the coefficients of age, education level, farm size and amount repaid (in the past) significantly influenced the amount of loan obtained by the respondents. The age of the respondents, negatively influenced the amount obtained while farm size and amount repaid positively influenced the loan amount obtained. The implication of these findings is that the youths have better access to higher amount of loan than the aged and those that had better repayment in the past, will receive relatively higher loan amount than those with relatively less repayment record. Besides, the more educated an aspiring beneficiary, the higher the likelihood of securing higher loan.

Table 3: Multiple regression analysis of determinants of loan obtained by beneficiaries

Variable Code	Variables Name	Regression Coefficient	Standard Error	t-value
$_{\beta}0$	(Constant)	-410026	348672.3	-1.176
X_1	Age	-13718.4**	-0.136	-2.152
X_2	Education level	39916.48**	0.134	2.168
X_3	Farm size	107728.5***	0.328	4.700
X_4	Loan experience	-28102.5	-0.039	-0.660
X_5	Household size	21383.69	0.051	0.706
X_6	Amount repaid	0.737***	0.097	7.587
X_7	Net income	0.004	0.025	0.149
	F-value	34.016***		
	R-squared	0.702		
	Adjusted R-squared	0.682		

Source: Field Survey, 2017, ** significant at 10 % level,* **significant at 5% level,***significant at 1% level

4.4 Loan Default of the Beneficiaries

It is evident in the Table 4 that only about 15.6% of the respondents agreed that they had defaulted during the course of loan dealings with the BOA while the majority (84.4%) stated that they had never defaulted during their loan dealings with the BOA. This confirms the record of the BOA that loan default was very minimal among the beneficiaries of the BOA loan.

Table 4: Distribution of the respondents by whether they are defaulters or not

Default	Frequency	Percentage
Defaulters	17	15.6
Non-defaulters	92	84.4
Total	109	100.0

Source: Field Survey, 2017

4.5 Relationship between socio-economic characteristics and loan repayment of the beneficiaries of BOA

Establishing the interrelationship between loan repayment and the socio-economic characteristics of the respondents is one of the ways to ensuring that loans are disbursed to the right people with higher probability of repayment. The success of any loan scheme is tied to repayment rate. Hence, the need to assess the inter-relationship empirically as done in this study

Age: The coefficient of age is not statistically significant implying that age is not an important explanatory variable that influence variation in rate of loan repayment. Notwithstanding, it was positively related to the repayment rate and thus consistent with a *priori* expectation. This may imply that as the age of the loan beneficiary increases, the more conscious they are to repay (perhaps to avoid consequences of non-repayment).

Marital status: The coefficient of marital status is also not statistically significant and therefore, not an important determinant of loan repayment. It was, however, positively correlated with loan repayment which implies that the married may be more conscious of repayment than the unmarried beneficiary.

Household size: The beneficiary household size in correlation with amount repaid gives a value of r = -0.194 which is negative and significant at 5% level. This implies that as household size increases, loan repayment decreases. This is in line with the a *priori* expectation and might not be unconnected to diversion of loan to finance household consumption expenditure. In other words, beneficiaries with large household size may be compelled to spend relatively larger share of BOA loan on household's consumption expenditure to the detriment of investment expenditure thereby reducing chances of repayment.

Education: The education of the beneficiary in correlation with repayment of the loan gives a value of r = 0.319 which is positive and significant at 1% level. This means that the higher the education of the beneficiary, the higher the tendency to repay. Education may contribute to effectiveness and profitability of loan use which may enhance ability to repay.

Loan size: The loan size in correlation with loan repayment gives a value of r = 0.763. The r value is positive and significant at 1% level. The implication of this finding is that loan size strongly determines the repayment rate. The strong positive correlation between loan size and loan repayment rate indicates that large sum is more likely to be repaid than small sum. This might not be unconnected to the fact that beneficiaries with large sum could take advantage of discounts in input purchases, economics of scale which may improve returns and by extension, repayment.

Loan experience: The coefficient of loan experience is not statistically significant but positively related to loan repayment rate. This may mean that the more loan experience a farmer has, the more he knows the importance and more conscious of repayment.

Table 5: Pearson Correlation (Matrix) of Amount Repaid with selected Socio-Economic Characteristics of Beneficiaries.

	V_1	V_2	V_3	V_4	V_5	V_6	V_7
V_1	1.000						
V_2	-0.038	1.000					
V_3	0.411**	0.117	1.000				
V_4	0.058	-0.033	-0.181	1.000			
V_5	-0.057	0.137	-0.127	0.424**	1.000		
V_6	-0.106	0.075	0.286**	-0.009	0.057	1.000	
V_7	0.034	0.113	-0.194*	0.319**	0.763**	0.037	1.000

**Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

Where;
V_1 = Age (Years)
V_2 = Marital Status (Dummy)
V_3 = Household Size (Number of person)
V_4 = Educational (Years)
V_5 = Loan Size (Naira)
V_6 = Loan Experience (Years)
V_7 = Repayment Rate (Percentage)

4.6 Constraints to Agricultural Loan Acquisition through BOA

Constraints refer to the problem faced towards achieving a particular goal. In this case, the usual goal of the beneficiaries is to continuously have access to the BOA loan. This also applies to prospective beneficiaries who may want to secure the loan for the first time. (Poulton, *et, al*, 2006), Understanding the constraints faced by the current beneficiaries will enable the prospective beneficiaries to be better prepared. This may ease the process of the loan procurement. Besides, the BOA could also improve on its loan disbursement processes with the knowledge of the constraints faced by the current beneficiaries. An attempt to provide this knowledge informs the analysis of the constraints being faced by the current beneficiaries of the BOA loan.

It is evident from the findings that substantial percentage (29.4%) of the respondents considered high interest rate as the most important constraint to the use of the BOA loan while others, considered bureaucracy, inability to provide the required guarantor, harsh loan recovery methods being used and untimely disbursement of loan as the most important constraints to procurement and/or use of the BOA loan.

A follow up interview with the management of BOA in charge of loan revealed that the interest rate was relatively lower than what obtained in the mainstream financial sector like commercial and microfinance banks (between 20-40%). According to the BOA official, the interest rate for small-holder and SME loan beneficiaries for agricultural purposes is 12% and 14% respectively for non-agricultural purposes, the interest rate was 18% across board (all non-agricultural loan). This is also supported by the finding of the Adesina, 2012.

Intending beneficiaries of Bank of Agriculture (BOA) are required to have 20% of the desire loan amount as savings before they are requested. The smallholders are not required to provide collateral. For instance, a beneficiary that intends to borrow ₦100,000 must have at least ₦20,000 savings in the Bank. This is not a necessary condition for the SMEs who are required to provide collateral before securing the loan. The SMEs can, however, have both savings and collateral.

Table 6: Constraints Encountered by the Beneficiaries of the BOA

Constraints To Loan Use	Frequency	Percentage
High Interest Rate	29	26.6
Difficulties and protocols invo lved in obtaining loan	17	15.6
Cost of obtaining loan is too much	3	2.8
Inability to provide guarantor	12	11.0
Loan is inadequate	8	7.3
Untimely disbursement of loan	6	5.5
Harsh loan recovery procedure	8	7.3
No response	26	23.9
Total	**109**	**100.0**

Source: Field Survey 2017

5. Conclusion

In conclusion, loan repayment rate among the beneficiaries of the Bank of Agriculture loans was high and loan default very minimal. The age of the respondents, negatively influenced the amount obtained while farm size and amount repaid positively influenced the loan amount obtained. The size of loan given had positive relationship with the repayment rate. Given the very high repayment rate, holding other variables constant, the loan size given could be considered adequate but increasing the loan size does not seem to carry the risk of reduction in the repayment rate.

Household size, education and loan size significantly influence the beneficiaries' loan repayment rate. High interest rate, bureaucracy and inability to provide guarantor were adjudged as the major constraints to securing loan from the BOA.

Successful management of agricultural loan programme for farmers depends to a large extent, on sound knowledge of socio-economic characteristics of the farmers and their production situation or background. Management therefore needs to put in place, practical measures to mitigate the risk in the BOA loan scheme so as to improve the quality of the overall loan portfolio of the bank. These factors, pose three major tasks for the loan administrator namely, how to: Ensure continuous patronage from farmers, guide against mis-use of loan, and ensure prompt and full repayment of loan.

Looking at the factors that account for loan defaults and as such poor weather condition, untimely disbursement, marketing problems, high interest rate, as established by the research findings, it can also be concluded that Bank of Agriculture (BOA) loan is heavily exposed to loan risk than other financial institutions, (this is in line with Hoque, 2010). Management therefore needs to put in place practical measures to mitigate the risk in these institutions so as to improve the quality of the overall loan portfolio of the bank

Given the study results, loan repayment can be enhanced by education of loan beneficiaries (perhaps on best ways to use the funds and guide against reckless spending). Although the loan size did not fall short of requirement, increasing it will most likely not reduce the repayment rate. Education will encourage a higher repayment rate and reduce the factors that prevent them from being able to pay for their loans. Increasing (given the right education) such as policies aimed at providing free educative seminars especially to the illiterate farmers to teach them possible ways and methods of acquiring loan, ensure repayment of loans and avoid loan default. This will enable the beneficiaries to take advantage of economies of scale that will better their lives and improve the repayment rate.

6. Recommendations

Based on the findings of the study, it is therefore recommended that:

- BOA should consider reducing the interest rate to encourage more people to access the loan and ease repayment.
- Loan administrators at the BOA should consider providing large sum to beneficiaries rather than series of small loans because it was found to increase propensity to repay.
- Bureaucracy should be tackled and loan disbursed on time to beneficiaries to avoid the issue of wrong timing of loan disbursement and use.
- The BOA loan administrator should review the guarantor policy with a view to easing it. Perhaps, they could employ group lending as opposed to individual lending with guarantor.
- There should be effective and proper monitoring, supervision and control of loans to the beneficiaries in order to ensure prompt and full repayment of loan.

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