Determinants of Repayment for Youth Development Fund Loans in Tanzania

Donatus Kumbelekubi Mwanukizi a,b*, Jema Edmund Myava a and Cornel Anyisile Kibona c

a School of Business, Mzumbe University, Morogoro, Tanzania.
b Internal Audit Unit, Butiama District Council, Mara, Tanzania.
c Department of Business, Economics and Finance, Mwalimu Julius. K. Nyerere University of Agriculture and Technology, Tanzania.

Authors' contributions

This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.

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ABSTRACT

The study intended to identify factors influencing youth group loan repayment for the Youth Development Fund (YDF) in Tanzania. This study utilizes cross-sectional primary data from structured questionnaires and interviews with 388 individuals in the Butiama District of the Mara Region. The analysis involved descriptive statistics and econometric estimation using the ordinal logistic regression model. As per descriptive analysis results, this study provides a comprehensive analysis of socio-economic and institutional factors distinguishing loan defaulters from non-defaulters among youth participants in Tanzania's loan programs. Significant variations, supported by $p < 0.05$, highlight that non-defaulters possess more leadership experience, exhibit superior business performance, undergo increased training, and are in closer proximity to lending institutions. The study reveals noteworthy differences in demographic factors such as marital status, education, belief in societal employment, and types of financed projects between the two groups. Misappropriation of funds, peer pressure, and economic shocks are identified as key contributors to

loan defaults, emphasizing the need for targeted interventions and vigilant monitoring for enhanced loan repayment and project success. Moreover, the econometric estimation using the ordinal logistic regression model, with statistical significance at a 5% level, demonstrates that independent factors account for 85.5% of the variation in loan repayment performance among youth groups. The study encounters societal views favoring employment over entrepreneurship, revealing a negative impact on youth loan repayment. Factors like loan diversion, peer pressure, group size, and entrepreneurship training emerge as significant determinants of loan repayment performance, providing valuable insights. In conclusion, the study underscores the critical importance of tailored interventions for addressing challenges faced by youth borrowers. Misappropriation of funds, peer pressure, and economic shocks require nuanced mitigation strategies. Policy recommendations encompass refining loan structures, enhancing training programs, and challenging societal norms favoring employment over entrepreneurship. Tailored interventions with strengthened monitoring, addressing socio-cultural attitudes, and internal control reinforcement are suggested for sustained success in youth-focused financial initiatives through continuous research and policy adaptation.

1. INTRODUCTION

Currently, governments promote financial accessibility for younger people to boost small and medium-sized firms and economic growth [1]. Governments provide a variety of financing and financial services to help young small businesses grow. Thus, they have developed innovative, poverty-reducing youth entrepreneur financing methods [2]. Microfinance institutions' Youth Revolving Fund helps impoverished people get financial services, which fights poverty. A banking industry may help people integrate into a country's economy and protect them from economic shocks Rashid, [3] Lopatta et al., [4]. Governments use the youngsters Revolving Fund to help jobless youngsters find work and obtain financial services, in addition to microfinance institutions. This campaign attempts to help them save for investment and improve their lives. This method has been noted by the World Bank (2015), Nawai and Shariff (2012), and Mokhtar et al. [5].

Without collateral or security to guarantee loans to new businesses, conventional financial institutions like banks have been hesitant to lend. These businesses are high-risk because they have low income potential or may collapse within the first year. Thus, financial institutions avoid financing to this group [6]. Microfinance programs provide limited financial services to low-income persons. Strategically tailored loans help individuals achieve sustainable economic empowerment and capacity development, improving their capacities and financial performance. However, microfinance and microcredit initiatives have been scrutinized for social objectives, loan repayment rates, and

persistent poverty caused by unregulated lending practices by unaccountable and negligent institutions.

Microcredit shortages hinder small firms, creating a difficult problem. Limited microcredit availability hurts "youth." disproportionately. The youth demographic is crucial to national development. They face several challenges, including unemployment. Given the global financial and economic crisis, youth unemployment is a major issue for both developed and developing nations (Msigwa & Kipesha, [7] ILO, [8]. Governments have long sought to improve youth financial resources. To combat unemployment, they have passed regulations that allow certain demographic groups to borrow (World Bank Group (WBG), [9]. Butiama District is one of the country's low-development districts. The 2013 Butiama District profile predicts TZS 540,000.00 per capita income. Youth unemployment makes the district one of the worst in the nation, according to Mabula [10]. Several local youth groups participate in economic activities. According to the World Bank's 2015 baseline report on solutions for youthful jobs (S4YE), without work, today's young would not be able to escape poverty or economic marginalization by 2030. However, the growth in young unemployment does not match the economic progress needed to produce jobs for all youths [11].

Tanzania implemented several Local Government Authorities (LGAs)-led programs to combat youth unemployment in addition to helping unemployed youth start businesses through MFIs [8]. According to Exchequer and Audit Ordinance (Cap. 439) no. 21 of 1961, the

Government of Tanzania (GOT) established the Youth Development Fund (YDF) program in 1993/1994, which LGAs execute and the DCD coordinates all LGAs. LGAs must provide 4% of their yearly profits to the Youth Development Fund (YDF) under the Youth Development Policy (2007). Youths can start or expand income-generating businesses using money from the Youth Development Fund (YDF). Its main goal is youth empowerment and self-employment. Young people must meet government conditions to acquire Youth Development Fund (YDF) loans. The Youth Development Fund (YDF) requires established groups for youth loans. Groups must register and demonstrate their engagement in small or medium entrepreneurial operations or give a detailed strategy for establishing a new business to participate. Individuals must have a bank account and use the funds for the authorized reasons. YDF participants must be jobless in a formal sector and part of a group of at least 10 people. The loan payback time for youth groups is one year. According to the United Republic of Tanzania (URT) in 2007, a youth group requesting a new loan must not have any outstanding debts.

Butiama has implemented the Youth Development Fund (YDF) from 2013. From 2014/2015 to 2020/2021, TZS 135 million has been allocated and distributed to several youth groups. According to the annual implementation reports of the Butiama District Council for 2014/2015, 2015/2016, 2016/2017, 2017/2018, 2018/2019, 2019/2020, and 2020/2021, only 48.09% of the distributed funds have been recovered. Given its nature as a revolving fund, the above situation threatens its long-term viability and ability to achieve its goals.

Generally, Tanzania aims for global competitiveness and prosperity by 2030. In 2013, youth Development Fund was created to give attention to economic prospects for the country's young to many of whom are unemployed [12].The youngsters Development Fund (YDF) loan helps unemployed youngsters overcome financial and social challenges via group income-generating activities. To ensure the fund's long-term stability and youth job goals, it must carefully monitor and manage the provided monies. Despite its ten-year history and high bankruptcy rates, youth entrepreneurial activity has failed to provide enough jobs for youngsters, raising questions about money management. The Youth Development Fund (YDF) is popular among Butiama District's youth, but its project

management has been poor, resulting in low return rates. Youth groups' loans, especially from the Youth Development Fund (YDF), have poor payback rates, average of 32.2% nationwide (UNESCO, 2018). From 2014/2015 until 2020/2021, the Butiama District gave youth organizations TZS 135,000,000. However, only TZS 48,665,000—36.09% of the total—was collected or reimbursed within the required years. However, 63.91%, or TZS 81,925,000, remains unrecovered or underpaid (Butiama District Council Annual Implementation Reports, 2021). Monitoring and managing the fund's activities is essential to its long-term viability and youth job creation aims. Neglecting to manage the Youth Development Fund (YDF) sustainability may have several negative effects related to youth unemployment (Bantu & Malik, 2022). Youth unemployment is a major burden and risk to the government. This is seen in rising social security costs, lower productivity, and rising social costs. Youth joblessness at an alarming rate might have Arab Spring-like consequences [13]. The Ambo town study in Oromia, Ethiopia, evaluated the effects of young unemployment. The findings showed increased in migration, sexual and physical misconduct, psychological and mental distress leading to desperation, substance abuse, illicit gambling, societal tensions, compromised community safety, increased criminal activity, and countrywide vulnerability (Terefe et al., 2016). These repercussions will hinder Tanzania's security and economic growth objectives. They will also endanger jobless youth and make the effort unsustainable. Therefore, the young Development Fund's goal of encouraging young work possibilities would be undermined. Thus, the study investigated the factors that affect youth group repayment of Youth Development Fund loans in the Butiama District of the Mara Region and made recommendations to improve Tanzanian youth group payback rates.

1.1 Conceptual Framework

To effectively tackle the problem of loan repayment failure among Tanzania's youth group, it is imperative to implement programs that enhance loan payback, therefore promoting the production of wealth and ensuring the long-term sustainability of the Youth Development Fund. This study hypothesized that the improved loan repayment performance across youth groups in Tanzania is contingent upon the association between higher loan payback rates and several factors connected to borrowers,
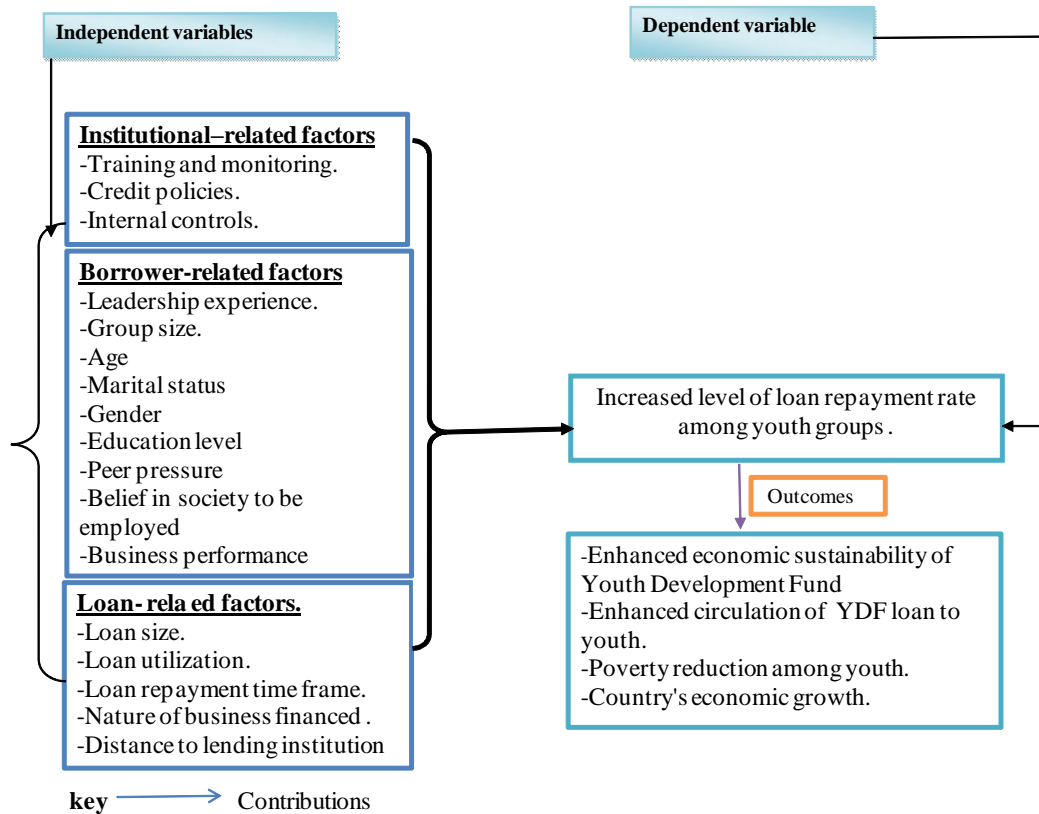
Fig. 1. Conceptual framework
Source: Designed by researcher, 2023

institutions, and loans. The institutional factors encompass several elements, such as training and monitoring, credit regulations, and internal controls. On the other hand, the factors pertaining to borrowers encompass leadership experience, group size, age, gender, marital status, educational level, peer pressure, belief in societal employment opportunities, and business performance. In addition, the factors that influence loans encompass the amount of the loan, the use of the loan, the payback period, the kind of business being financed, and its distance to the lending institution. More importantly, after conducting a comprehensive examination of the many elements associated with borrowers, institutions, and loans, it becomes possible to facilitate the establishment of effective policies aimed at enhancing the economic efficiency of the youth development fund in Tanzania. Hence, the expected outcomes include enhanced economic sustainability of Youth Development Fund, and enhanced circulation of YDF loan to youth, poverty reduction among youth, and country's economic growth. The conceptual framework depicted in Fig 1 serves as the

foundation for the execution and advancement of empirical examination.

2. MATERIALS AND METHODS

2.1 Description of the Study Area

This study was conducted in the Butiama District of the Mara Region, Tanzania. It is situated at 10 31 South and 340 16 East on the northern coast of Lake Victoria. There are 281,656 people living in the district as per the 2022 population census. The district consists of seventeen (17) wards, whereby registered groups get loans from the council through the Youth Development Fund Programme (YDFP), which is implemented throughout all districts and regions in the country. The district has the potential to be a hub for major economic pursuits, including commerce and trade, mining, fishing, farming, and raising cattle. For a living, the majority of its habitats participate in those commercial pursuits. The area continues to be the focal point of Tanzania, having been the birthplace of the late Mwalimu Julius K. Nyerere, the first President of the United Republic of Tanzania.

2.2 Sampling Procedures and Sample Size

To choose respondents from Youth Development Fund loan beneficiaries, the study used a multi-stage stratified sampling approach. Purposive and random samplings were used to choose respondents at various stages. A stratified random sample generates stratification based on individuals with comparable characteristics [14]. In this study, strata were formed from the six major Youth Development Fund beneficiaries of loans to Lake Zone regions and their districts. From the six regions, one (Mara) was chosen at random. Similarly, one district (Butiama) was purposefully chosen among the six districts since it has the highest percentage of poor Youth Development Fund loan repayment in the region. Buhemba, Busegwe, Buswahili, Butiama, Butuguri, Bwiregi, Kukirango, Nyamisisye, Buruma, and Kigori wards were chosen at random from the study district. This research targeted Youth Development Fund beneficiaries of loans (N = 12,960) and used Slovin's technique to establish a sample size of 400 respondents at random Singh and Masuku, [15] as follows:

$$n = \frac{N}{1+Ne^2} = \frac{12,960}{1+12,960(0.05)^2} = 388.02 \approx 388 \quad (1)$$

In this context, *N* represents the size of the population being studied, *n* denotes the size of the sample being analyzed, and *e* signifies the amount of error tolerance. The selection of respondents from each hamlet (stratum) was chosen based on the percentage proportion, as shown in Table 1.

2.3 Data Type and Collection Methods

This study utilizes primary cross-sectional data. Using structured questionnaires, interviews, and focus group discussions (FGDs, cross-sectional primary data were collected from individual Youth Development Fund (YDF) beneficiaries. Primary data provide researchers a more accurate and realistic understanding of the issue. Due to its field collection, primary data is very reliable (Polkinghorne, 2005). A pilot study was conducted to acquire additional information and familiarize researchers with the study location. Pre-testing of questionnaire items was conducted under conditions as near as practicable to the data collection procedure, with potential respondents as close as possible to the samples taken. As a consequence, 90 Youth Development Fund (YDF) beneficiaries of loans were used to pre-test the questionnaires in order to determine their validity and reliability. On the basis of the pilot study, modifications were made to the questionnaire and interview guidance, with questions being revised, eliminated, and reorganized in an effort to make them more simple and comprehensible. Thus, the structured questionnaires and interviews conducted with the beneficiaries of the Youth Development Fund (YDF) captured information regarding (i) socioeconomic characteristics, (ii) group formation and leadership factors, (iii) loan size, (iv) loan utilization, (v) loan repayment period, (vi) training and monitoring, (vii) credit policies, and (viii) internal controls. Moreover, face-to-face interviews were used to elucidate queries and elicit comprehensive responses from study participants. Face-to-face interviews provide a higher response rate (approximately 70% or higher), permit the use of reference materials, and facilitate the collection of diverse data (Bateman et al., 2002). Additionally, the present study included focus group discussions to examine the factors associated with loan repayment among youth groups that had borrowed funds. The discussion involved key stakeholders, including the District Community Officer, District Planning Officer, District

Table 1. Sample size distribution

District	Wards	Population	Percentage Proportion	Sample Size
Butiama	Butiama	1,386	10.69	42
	Buswahili	1,386	10.69	42
	Buhemba	1,270	9.80	38
	Kigori	1,270	9.80	38
	Butuguri	1,276	9.85	38
	Kukirango	1,276	9.85	38
	Buruma	1,280	9.88	38
	Bwiregi	1,280	9.88	38
	Nyamisisye	1,268	9.78	38
	Busegwe	1,268	9.78	38
Total		**12,960**	**100**	**388**

Treasurer, District Legal Officer, and YDF Coordinator. A checklist was devised and employed during the focus group discussions (FGDs) to systematically gather qualitative data. The checklist for focused group discussion supplemented questionnaire information on: (i) training and monitoring, (ii) credit policies, and (iii) internal controls. The utilization of focus group discussion was used in this study due to its capacity to convene individuals with shared backgrounds or experiences in order to engage in a comprehensive discourse on a particular issue of relevance. Qualitative data collection was used to gather information pertaining to individuals' views, attitudes, beliefs, opinions, or ideas regarding YDF.

2.4 Data Analysis Methods and Presentation

This study applied both descriptive statistic and econometric models. The first exposition of the main data analysis mostly emphasized descriptive methodologies. The following section of this paper focuses on the different estimation approaches utilized in empirical models to analyze the determinants of loan repayment among youth groups in the context of the Youth Development Fund (YDF). The study incorporates the ordinal logistic regression model (OLRM) in its analysis. The subsequent part presents a more extensive elucidation of the previously discussed analytical approaches:

2.4.1 Descriptive and inferential analytical methods

Descriptive statistical analysis such as average, maximum, minimum, frequency distribution, percentage distribution, and standard deviation, as well as inferential analysis such as independent t-test and chi^2 test, were used to analyze the parameters used for the study. The data acquired in this study underwent coding, cleaning, and analysis using the Statistical Package for the Social Sciences (SPSS) software v. 26 and Stata v. 15. The data analysis results were presented using descriptive statistics, pie charts, and tables to facilitate the reader's comprehension of the study findings.

2.4.2 Ordinal logistic regression model estimation and specification strategy

The study applied an ordinal logistic regression model to examine the impact of socioeconomic, loan, and institutional factors on the loan payment performance of the Youth Development Fund (YDF) among youth groups. Regression models based on logistic regression have been widely used in scholarly research to examine the link between an ordinal dependent variable and several independent variables (McCullagh & Nelder, [16] Agresti, [17], Hosmer et al., 2013; Bantu et al., 2022). Thus, the present study adopted the proportional odds model, commonly known as the cumulative logit model, due to its simplicity in application and interpretation. The proposed method calculates the combined likelihood and the likelihood of an observation being equal to or less than a certain outcome level, given a set of independent factors.

As per the draft by Grilli and Rampichini (2021), an ordered logit model for an ordinal outcome variable Yi with j sorts may be defined by a set of j-1 equations. Also, p represents the number of independent variables. The concept is articulated as:

$$\text{Log}[P(Y \leq i)] = \alpha_j - \beta_i X_i \tag{2}$$

Here, j=1,...., -1 and I = 1, 2, 3, ..., P or

$$\text{Log}\left(\frac{P(y \leq j_i)}{1 - P(y \leq j_i)}\right) = \log \text{it} = \alpha_i - (\beta_1 X_1 + \beta_2 X_2 + \cdots + \beta_p X_p) \ j$$
$$= 1, 2, \ldots j - 1 \tag{3}$$

Here;

α_i = The threshold points/thresholds are listed in ascending order $\alpha_i < \alpha_2 <::: < \alpha_{j-1}$

$\frac{P(y \leq j_i)}{1 - P(y \leq j_i)}$ = cumulative probability for the category of the dependent variable j_i.

β_1, β_2, ..., β_p = logit coefficients

p = denotes the number of independent variables

X_i = The predictors or dependent variables

Logit = denotes the natural logarithm of the probability ratio.

In equation (2), the cumulative odds for category *j* is also represented as:

$$(P \leq j) = \frac{e^{\alpha^j - (\beta_1 X_1 + \beta_2 X_2 + \cdots + \beta_p X_p)}}{1 + e^{\alpha^j - (\beta_1 X_1 + \beta_2 X_2 + \cdots + \beta_p X_p)}} = \frac{1}{1 + e^{\alpha^j - (\beta_1 X_1 + \beta_2 X_2 + \cdots + \beta_p X_p)}} \qquad (4)$$

The study's independent variables include training and monitoring (X_1), credit policy usage (X_2), internal controls (X_3), leadership experience (X_4), group size (X_5), age (X_6), gender (X_7), marital status (X_8), education level (X_9), peer pressure (X_{10}), belief in society/culture to be employed (X_{11}), business performance (X_{12}), loan utilization (X_{13}), loan size (X_{14}), loan repayment time (X_{15}), nature of business financed (X_{16}) and distance to lending institution (X_{17}). The following model was used in this study:

$$\text{Log}\left(\frac{P(y \leq j_i)}{1 - P(y \leq j_i)}\right) = \alpha_i - (\beta_1 X_1 + \beta_2 X_2 + \cdots + \beta_{17} X_{17}) \qquad (5)$$

Therefore, the compressed ordinal logistic regression model (OLRM)that describes the factors influencing the repayment of youth development fund (YDF) loans among youth groups in Tanzania is specified as follows (refer to Equation 6):

$$\begin{aligned}
\log(probability\ of\ loan\ repayment) = \alpha_i \\
- (\beta_1 training\ and\ monitoring + \beta_2 credit\ policy\ usage + \beta_3\ internal\ controls \\
+ \beta_4 leadership\ experience + \beta_5\ group\ size + \beta_6 age + \beta_7 gender \\
+ \beta_8 marital\ status + \beta_9 education\ level + \beta_{10} peer\ pressure \\
+ \beta_{11} belief\ in\ culture\ to\ be\ employed\ + \beta_{12} business\ performance \\
+ \beta_{13} loan\ utilization + \beta_{14} loan\ size + \beta_{15} loan\ repayment\ time \\
+ \beta_{16} nature\ of\ business\ financed \\
+ \beta_{17} distance\ to\ lending\ institution\ )
\end{aligned} \qquad (6)$$

Furthermore, presented in Table 2 are the hypothesized sign effects of the independent variables included in the ordinal logistic regression model.

2.4.3 Multicollinearity variable diagnosis for analytical model setup

As previously indicated, the Ordinal Logistic Regression Model was utilized to discover the factors of the loan repayment effectiveness in the research area. Before operating the model, an assessment was made to see whether there was multicollinearity among the postulated explanatory factors. The issue of multicollinearity occurs when there is a perfectly or exactly linear link between at least one of the independent variables and another independent variable (Gujarati, 2003). The presence of multicollinearity might result in the estimated regression coefficients displaying incorrect values and reduced t-ratios, thus leading to erroneous conclusions. Hence, it was crucial to assess the presence of significant issues related to multicollinearity within the prospective continuous and categorical explanatory variables throughout the process of estimating the model.

Multicollinearity among continuous explanatory variables was identified utilizing the variance inflation factor (VIF) method (Chatterjee and Price, 1991). The equation for calculating the variance inflation factor (VIF) is derived from the square of the multiple correlation coefficients (R^2), which is obtained when one explanatory variable (x) is regressed against all the other explanatory variables. The VIF is computed as the reciprocal of one minus the square of R^2. Similarly, contingency coefficients were calculated in order to assess the presence of multicollinearity issues for categorical independent variables, with values ranging from

0 to 1. The computation of contingency coefficients is performed in the following manner:

A variance inflation factor (VIF) value over 10 is commonly seen as indicative of the presence of multicollinearity inside the model. In a similar vein, it may be stated that when contingency coefficients tend towards a value of 1, it indicates a significant issue of linkage between the discrete variables. The results obtained from the assessments for multicollinearity in the variables are displayed in Tables 3 and 4.

After analyzing the VIF and contingency coefficient values, it was determined that the data did not exhibit any significant issues of multicollinearity. As a consequence, both the continuous and discrete explanatory variables were included in the model.

2.4.4 Validity and reliability of the study

2.4.4.1 Validity of the study

Validity refers to the extent to which a research study accurately measures the desired variables or accurately reflects the truthfulness of the obtained results. In this study, the researcher assessed the validity of the variables by employing the Kaiser-Meyer-Olkin (KMO) measure. The KMO is a statistical indicator that quantifies the extent to which the variance in variables may be attributed to underlying causes. In the present investigation, it was observed that the high value approached a value of 1.0, a finding that typically suggests the utility of employing factor analysis in the context of the collected data.

Table 2. Hypothesized sign effects of the independent variables included in the ordinal logistic regression model

Variables	Measurements	Hypothesized signs
Entrepreneurship training received	Number of trainings received	+
Credit policy usage	If 1 = Yes. 0 = No	+
Internal controls	If 1 = Yes. 0 = No	+
Leadership experience	In years	+
Group size	Number of members	±
Age	In years	±
Marital status	If 1 = single, 2 = married, 3 = widowed, 4 = divorced.	±
Education level	Years spent in school	+
Peer pressure	If 1 = Present. 0 = No	-
Belief in culture to be employed	If 1 = Yes. 0 = No	-
Business performance	Income in Tanzanian shillings	+
Loan utilization	1 = diverted. 0 = No	-
Loan size	In Tanzanian shillings	±
Loan repayment time	If 1 = monthly, 0 = otherwise.	-
Nature of business financed	If 1 = agric enterprise and 0 otherwise	-
Distance to lending institution	In kilometre.	-

Table 3. Multicollinearity test for continuous explanatory variables

Variables	VIF	R^2_i
Entrepreneurship training received	2.31	0.452
Leadership experience	2.08	0.411
Group size	1.60	0.304
Age	1.48	0.260
Education level	1.40	0.227
Business performance	1.38	0.218
Loan size	1.17	0.108
Distance to lending institution	1.03	0.012

Table 4. Discrete explanatory variable contingency coefficients

	Credit policy usage	Internal controls	Marital status	Peer pressure	Belief to employed	Loan utilization	Loan repayment time	Nature of the business
Credit policy usage	1.000	0.085	0.113	0.001	0.027	0.106	0.078	0.133
Internal controls		1.000	0.072	0.100	0.013	0.232	0.122	0.007
Marital status			1.000	0.057	0.052	0.204	0.213	0.238
Peer pressure				1.000	0.016	0.045	0.118	0.130
Belief to employed					1.000	0.076	0.012	0.0267
Loan utilization						1.000	0.314	0.206
Loan repayment time							1.00	0.453
Nature of the business								1.000

Source: Generated from collected survey data, 2023

2.4.4.2 Reliability of the study

The degree of consistency that a particular measuring procedure exhibits is what the concept of reliability refers to Kothari, [18]. Bhattacherjee [19] defines dependability as the extent to which there is a consistent outcome when several observers or the same observer at different times employ the identical measuring device. The researcher employed the test-retest methodology to assess the reliability of the questionnaire and interview items. The identical questionnaire and interview prompts were delivered to the same participants on two separate occasions over a span of one week. Subsequently, the correlation between the replies obtained by administering the identical questionnaire and interview instruments on two separate occasions was examined in order to assess the level of consistency in the responses.

Furthermore, the study's dependability was established by employing the Chronbach's alpha coefficient. The alpha coefficient was utilized to assess the extent to which the various items converged at a common point. Reliability pertains to the degree of consistency exhibited by a research instrument. The concept of reliability pertains to the degree of consistency or stability exhibited by the score derived from a measurement or assessment method, both inside and across different contexts or situations. The coefficient alpha exhibited a range of values, with 0 representing a lack of dependability and 1 indicating a state of total reliability.

3. RESULTS

3.1 Comparison of the Socioeconomic, Institutional, and Loan Characteristics of the Loan Defaulters and Non-Defaulters among Youth Beneficiaries

Table 5 provides a concise overview of the socio-economic and institutional aspects (represented as continuous and categorical variables) for both defaulters and non-defaulters among the participants. The idea that defaulters and non-defaulters share similar socio-economic and institutional features was only partially refuted. The comparison between loan defaulters and non-defaulters proceeds in Table 5 using mean scores and the independent t-test. Statistically significant variations exist at a significance level of $p < 0.05$ (5%) in leadership experience, business performance, training obtained, and distance to lending premises. The variables that were shown to be insignificant were the age of recipients, loan size received, and the size of the group.

Also, statistically significant disparities were observed between those who defaulted on loans and those who did not in relation to their marital status, level of education, utilization of internal controls, belief in societal employment opportunities, and the types of projects they financed. These differences were shown to be significant at a 5% level of significance ($p < 0.05$).

It indicates that non-defaulters possessed 3.2 years of leadership experience, whereas loan defaulters only possessed 1.2 years. The findings indicated that the average age of loan defaulters was 34.7 years, whereas the average age of non-defaulters was 34.3 years. The study's findings also indicated that the mean business performance among those who did not default on their loans was 3,213,600 Tanzanian Shillings. This amount exceeded the 1,512,00 Tshs received from those who failed to repay their loans. Moreover, the mean group size for individuals who defaulted on their loans was 5.0, which is more than the mean group size of 4.5 for those who did not default. The study findings indicate that non-defaulters obtained more types of training on average. Non-defaulting borrowers received 3.1 units of training, whereas defaulting borrowers received 1.1 units of training. An assessment was conducted to determine the distance, measured in kilometers (KM), that the recipients went on foot to reach a loan source. Beneficiaries residing in close proximity to the lending institution possess a geographical advantage, enabling them to establish more convenient and frequent communication with the lender compared to individuals residing in more remote areas. Correspondingly, the mean distance needed to travel to reach lending institutions was 8.3 kilometers for those who did not default on their loans and 11.4 kilometers for those who did default. Loan defaulters got an average loan of 4,605,600 Tsh, which is greater than 4,505,700 Tsh for non-defaulters but not statistically significant.

Table 5. Comparison of the socioeconomic, institutional, and loan characteristics of the loan defaulters and non-defaulters among youth beneficiaries

Variables	Overall (N = 388)	Defaulters (n = 277)	Non-Defaulters (n = 111)	Stast. Test	Sign. Value
Continuous Variables	**Mean**	**Mean**	**Mean**	*t-value*	P- Value
Age of beneficiaries	34.6	34.7	34.3	0.12	0.71
Group size	6.8	5.0	4.5	1.10	0.11
Leadership experience	2.2	1.2	3.2	-3.03	0.00*
Business performance	2,829,600	1,512,00	3,213,600	-3.32	0.00*
Training received	2.4	1.1	3.1	-3.03	0.00*
Loan size received	5,500,000	4,605,600	4,505,700	0.72	0.58
Distance to lending centres	18.3	11.4	8.3	4.53	0.00*
Categorical Variables	**Overall (%)**	**Percentage (%)**	**Percentage (%)**	X^2	*P- Value*
Gender					
Male	46.4	56.0	45.0	0.98	0.30
Female	53.6	44.0	55.0		
Marital status					
Single	43.7	29.6	52.3	0.71*	0.00
Married	56.3	70.4	47.7		
Education level					
Primary education	29.0	22.0	30.2	3.18*	0.00
Secondary educ.	66.8	62.0	69.1		
Tertiary education	4.2	16.0	0.7		
Credit policies usage					
Yes	5.5	4.1	4.6	0.01	0.31
No	94.5	95.9	95.4		
Internal controls usage					
Yes	61.2	38.4	62.7	8.36*	0.00
No	38.8	61.6	37.3		
Loan utilization (diversion)					
Yes	84.2	88.2	86.0	3.23	0.79
No	15.8	11.8	14.0		
Repayment plan (monthly)					
Yes	95.3	96.1	97.2	5.35	0.63
No	4.7	3.9	2.8		
Peer pressure on loan diversions					
Yes	84.1	88.1	84.0	4.46	0.58
No	16.9	11.9	16.0		
Believe in society to be employed					
Yes	68.3	69.5	59.0	3.22*	0.00
No	31.7	30.5	41.0		
Nature of projects financed					
Agric. projects	59.4	78.0	20.3	9.34*	0.00
Non agric. Projects	40.6	22.0	79.7		

*Source: Source: Author's field survey data, 2023, *Significance level at 5 % (P < 0.05)*

Notably, most respondents were literate. The findings show that (66.8%) of the studied household heads had secondary education, with about 69.1% being non-defaulters and 62.0% being defaulters. While 29.0 and 4.2 had primary and tertiary education, respectively, with around 30.2% being non-defaulters and 22.0% being loan defaulters with primary education. Furthermore, of the 4.2% of respondents with a tertiary education, 16.0% were loan defaulters and 0.7% were non-defaulters.

The findings indicate that 69.5% of the loan defaulters and 59.0% of the non-defaulters

stated that it is more beneficial for society to be employed by someone else rather than creating their own jobs and employing themselves (believe in society to be employed). Likewise, the study's findings indicate that only 4.1% of loan defaulters and 4.6% of non-defaulters had made use of credit policies.

The majority of the sample respondents, specifically 84.1%, consisting of 88.1% loan defaulters and 84.0% non-defaulters, indicated that peer pressure played a role in influencing borrowers to utilize the funds for seeking employment in government or non-governmental organizations (NGOs) rather than facing the challenges of starting their own businesses. Additionally, prevailing economic shocks were identified as the primary cause of defaulting on youth loans. This suggests that due to social pressure, funds were redirected into unforeseen expenses instead of being utilized to support the intended project, thus impacting the repayment performance of youth loans.

The results showed that 53.6% of the respondents were female, while 46.4% were male. Among these, it was found that 56% of males and 44% of females were loan defaulters, while 45% of males and 55% of females were non-defaulters. In terms of marital status, the study found that 56.3% of respondents were married and 43.7% were single. In the majority of these, it was found that 70.4% of married individuals and 29.6% of single individuals were loan defaulters, respectively. Additionally, 47.7% of married individuals and 52.3% of single individuals were non-defaulters, respectively.

The majority of endorsed projects, accounting for 59.4%, were agricultural projects, while the remaining 40.6% were non-agricultural enterprises. Of the agricultural projects that received funding, 78% were for loan defaulters and 20.3% were for non-defaulters. Regarding non-agricultural projects, 22% and 79.7% belong to loan defaulters and non-defaulters, respectively. The study's findings further indicate that 88.2% of loan defaulters and 86% of non-defaulters had misappropriated (loan diversion) their loans for purposes other than their intended usage. In addition, this study has demonstrated that 38.4% of loan defaulters and 62.7% of non-defaulters utilized internal controls. It is worth mentioning that a significant majority of the respondents (95.3%) made monthly repayments on their loan. Among them, 96.1% were

classified as loan defaulters, while 97.2% were classified as non-defaulters.

3.2 Test of Reliability of Instrument's Components on Overall Loan Repayment Performances of Youth Development Fund Variables

Cronbach's alpha is widely regarded as the most reliable and often-used metric for assessing internal coherence. The alpha coefficient values for items (variables) included in the present study range from 0.75 to 0.80 (Table 6). This suggests that those who rated one thing positively also rated the other items positively. Conversely, individuals who rated one item negatively also rated the other promises of loan repayment performance and the Youth Development Fund's sustainability negatively (Table 6). The instrument's elements had a Cronbach's alpha more than 0.7, demonstrating its acceptability. Additionally, the total test scale had a value of 0.78, suggesting that the instrument's features could be reliably used. These findings are supported by Field [20] and Kline [21]. Age of beneficiaries: The inter-item correlation is 0.2508. However, the alpha coefficient of 0.77 suggests good internal consistency or reliability. Generally, the overall test scale's alpha coefficient is 0.78, indicating that the items on the test scale collectively exhibit good internal consistency.

3.3 Econometric Estimation Results of the Factors that Influence the Level of Loan Repayment performance Rate among Youth Groups

The calculated values of parameters obtained from the ordinal logistic regression model are presented in Table 7. The model was calculated using SPSS V. 22 and Stata V. 15. The test for goodness of fit statistics indicates that the model was statistically significant at a 5% level ($p < 0.05$), with an R^2 value of 0.8546. The R^2 coefficient of the measurement is an indicator of goodness-of-fit that suggests independent factors explaining about 85.5% of the variation in the rate of change in the overall level of loan repayment performance rate among youth groups in Tanzania. The remaining 14.5% represents the portion of the level of loan repayment performance rate that cannot be accounted for and is attributed to the error term (ε). This suggests that the independent factors in

the model account for a significant percentage of the variability in the level of loan repayment performance rate among youth groups in Tanzania. Typically, a higher R^2 value indicates a stronger match between the model and the data (Davidson & MacKinnon, [22] Maitah at el., [23].

In econometric validation, we determined if the projected value gained corresponded to the predicted sign impact of the assumption (see Table 7).

Thus, assuming all other parameters remain constant (*Ceteris paribus*), the coefficient estimations show that;

The study reveals that the societal/cultural view that individuals should work for established companies rather than forming their own businesses has a negative and statistically significant impact on the capacity of Youth to repay loans and retain their financial stability. This effect is observed at a significance level of 5% ($p < 0.05$). The findings suggest that a majority of borrowers are inclined towards not fulfilling their loan repayment obligations because they hold the view that society expects them, as graduates, to secure employment in their specialized field inside established businesses rather than starting their own ventures. The outcome of the present investigation contrasted the conclusions of previous studies conducted by Firafis [24], Garomsa [25], and Kassegn & Endris

[26]. Nevertheless, the outcome aligns with the discoveries of (Seyedmehrdad et al., [27] Florence & Daniel, [28], which establish a connection between the issues and institutional shortcomings such as the lack of public understanding, inadequate eligibility requirements, insufficient monitoring of the use of funds after distribution, as well as deficiencies in the school's curriculum for failing to incorporate business skills at all levels of learning.

At 5% ($P < 0.05$) significance level, the results indicated that diverting the loan towards unanticipated expenses had a statistically significant negative impact on the repayment performance and long-term viability of the Youth loan program, with a significance level of 5%. The findings indicate that there is a 78.7% likelihood that youth borrowers would not repay their loan because they divert the funds towards unanticipated expenses instead of using them for the intended venture outlined in their request for the Youth Development Fund loan. This is corroborated by the research conducted by Melese & Asfaw [29], Abera & Asfaw [30], Gebeye [31], Aberi & Jagongo [32], Jote [33], Murthy & Mariadas [34], Balamurugan [35], and Mokhtar et al. [36]. Nevertheless, the present discovery contradicts the outcome reported by Bukenya et al. [37] in relation to the direction of impacts on the repayment performance of Youth Development loans.

Table 6. Test results of reliability of instrument's components on overall loan repayment perfomance of youth develepment fund variables

Variables	Inter-rest Correlation	Alpha Coefficient
Age of beneficiaries	0.2508	O.77
Group size of Youth	0.5228	0.75
Leadership experience on loan	0.3238	0.76
Business performance for Youth	0.4078	0.75
Entrepreneurship training given	O.4423	0.78
Loan size given to Youth	0.2067	0.79
Distance to lending institutions	0.2614	0.77
Credit policies usage on collections	0.4622	0.76
Internal control usage among youth	0.4523	0.78
Loan diversion to unplanned projects	0.4337	0.78
Loan repayment time plan	0.3556	0.80
Peer pressure on loan diversion for job search	0.6448	0.79
Believe in society to be employed than creating jobs	0.3517	0.77
Nature of the business financed	0.4363	0.76
Gender of the beneficiaries	0.3357	0.75
Marital status of beneficiaries	0.3357	0.78
Education level of beneficiaries	0.5432	0.75
Test scale		**0.78**

Source: Author's survey data (2023).

Table 7. Ordinal logistic regression estimate on the factors that influence the level of loan repayment performance rate among Youth Groups

Variables	Coef. (β)	Std. Error	Z	OR/Exp(β)
Age of beneficiaries (AGE)	-0.012	0.040	-0.68	0.321
Gender of the beneficiaries (GENDER	0.534	0.268	1.50	1.423
Marital status of beneficiaries (	-0.076	0.178	-0.32	0.815
Education level of beneficiaries	-0.234	0.115	-1.91	0.814
Group size of Youth	-0.021**	0.023	-0.82	0.020
Leadership experience on loan	0.335*	0.113	1.82	0.715
Business performance for Youth	1.834*	0.132	1.24	1.123
Entrepreneurship training given	0.063*	0.034	2.21	0.065
Loan size given to Youth	0.071*	0.054	1.18	0.062
Distance to lending institutions	-0.321**	0.203	-1.24	0.873
Credit policies usage on collections	0.047*	0.034	2.36	0.056
Internal control usage among youth	0.042*	0.033	0.27	0.028
Loan diversion to unplanned projects	-0.787*	0.167	-4.58	2.318
Loan repayment time plan	0.035*	0.022	1.75	0.018
Peer pressure on loan diversion for job search	-0.504*	0.213	-2.74	1.720
Believe in society to be employed than creating jobs	-1.754*	0.323	-8.02	5.272
Nature of the business financed	-0.341*	0.120	-1.31	0.684

Number of Observations = 384
Prob > chi^2 = 0.0000
LR chi^2(17) = 306.51
Log-likelihood =-352.57701
Pseudo R^2 = 0.8546

*Source: Survey Data (2023), OR = Odd Ratio, *5% and **10% level of significance*

The results presented in Table 7 demonstrate that peer pressure had a statistically significant and negative effect (at a 5% significance level) on the loan repayment performance of youths. The study showed that the likelihood of defaulting on loan repayment as a result of peer pressure rises by 50.4%.

Beneficiaries' ages. The coefficient of -0.012 demonstrates a negative correlation with the rate of loan repayment performance. Nevertheless, given a p-value of 0.321 and a Z-score of -0.68, the association lacks statistical significance at the 5% (P < 0.05) level of significance.

Gender of the beneficiaries. The coefficient is 0.534, indicating a positive relationship with loan repayment performance rate. With a p-value of 1.50, the relationship is not statistically significant at the 5% (P < 0.05) level of significance.

Education level of beneficiaries: The coefficient is -0.234, indicating a negative relationship with loan repayment performance rate. . With a p-value of 0.115 and a Z-score of -1.91, the relationship is not statistically significant at the 5% (P < 0.05) level of significance.

Group size of Youth: The coefficient is -0.021, indicating a negative relationship with loan repayment performance rate. The p-value of 0.020 and Z-score of -0.82 suggest a statistically significant relationship with loan repayment performance rate at the 5% (P < 0.05) level of significance.

Leadership experience on loan: The coefficient is 0.335, indicating a positive relationship with loan repayment performance rate. With a p-value of 0.113 and Z-score of 1.82, the relationship is not statistically significant at the 5% (P < 0.05) level of significance.

Business performance for Youth: The coefficient is 1.834, indicating a positive relationship with loan repayment performance rate. With a p-value of 0.132 and Z-score of 1.24, the relationship is not statistically significant at the 5% (P < 0.05) level of significance.

Entrepreneurship training given: The coefficient is 0.063, indicating a positive relationship with loan repayment performance rate. With a p-value of 0.034 and Z-score of 2.21, the relationship is statistically significant at the 5% (P < 0.05) level of significance.

Loan size given to Youth: The coefficient is 0.071, indicating a positive relationship with loan repayment performance rate. With a p-value of 0.054 and Z-score of 1.18, the relationship is not statistically significant at the 5% (P < 0.05) level of significance. Okorji's (2012) study on loan repayment performance in Nigeria found that there is a weak correlation between loan amount and payback rate. This implies an inverse relationship between the loan size provided by the institution and the payback rate of the clients.

The magnitude of the loan has an adverse impact on the borrowers' loan repayment performance. A research conducted by Pasha and Negese [38] examined the factors that affect the repayment of loans in the microfinance sector in Ethiopia. In contrast to the findings of Kohansal and Mansoori [39], it was shown that loan size had a favorable influence on loan repayment. However, having sufficient cash to operate a firm and obtaining a loan of appropriate magnitude might reduce the likelihood of failure (Derban, et al., 2005; Sangwan & Nayak, [40].

Distance to lending institutions: The coefficient is -0.321, indicating a negative relationship with loan repayment performance rate. The p-value of 0.203 and Z-score of -1.24 suggest a statistically significant relationship at the 5% (P < 0.05) level of significance.

Credit policies usage on collections: The coefficient is 0.047, indicating a positive relationship with loan repayment performance rate. With a p-value of 0.034 and Z-score of 2.36, the relationship is statistically significant at the 5% (P < 0.05) level of significance. Guyo (2013) and Kariuki [41] shown that all customers exhibit delinquency in their bill payments, thereby highlighting the imperative nature of the credit policy. The objective of the collection endeavor should be to enhance the promptness of payments from tardy debtors, as this will mitigate losses from delinquent debts. The collection policy mitigates problems arising from loan payback terms, amounts, and structures by delineating procedures for collection.

Internal control usage among youth: The coefficient is 0.042, indicating a positive relationship with loan repayment performance rate. With a p-value of 0.033 and Z-score of 0.27, the relationship is not statistically significant at the 5% (P < 0.05) level of significance. Collins' [42] research on the correlation between internal control and the financial performance of microfinance firms in Kenya reinforces the conclusions of this analysis, which demonstrate that internal control has an impact on the financial performance of microfinance institutions. Enhancing internal control will lead to an improvement in financial performance, thereby reducing the occurrence of loan defaults. If internal control is inadequate, there will be a negative impact on financial performance.

Loan diversion to unplanned projects: The coefficient is -0.787, indicating a negative relationship with loan repayment performance rate. The p-value of 0.167 and Z-score of -4.58 suggest a statistically significant relationship with loan repayment performance rate at the 5% (P < 0.05) level of significance.

Loan repayment time plan: The coefficient is 0.035, indicating a positive relationship with loan repayment performance rate. With a p-value of 0.022 and Z-score of 1.75, the relationship is statistically significant at the 5% (P < 0.05) level of significance. In a study conducted by Joyce (2015) on the factors that affect the repayment of loans from the Youth Enterprises Development Fund by youth groups, it was discovered that the short repayment period had a significant impact on the youth's ability to repay the loan on time. This is primarily due to the various challenges faced by young entrepreneurs in their businesses, such as the risk of failure, particularly for start-up ventures.

Nature of the business financed: The coefficient is -0.341, indicating a negative relationship with loan repayment performance rate. With a p-value of 0.120 and Z-score of -1.31, the relationship is not statistically significant at the 5% (P < 0.05) level of significance.

4. DISCUSSIONS OF THE RESULTS

The findings from Table 7 provide valuable insights into the socio-economic and institutional factors associated with loan defaulters and non-defaulters among participants. The study aimed to explore potential similarities and differences between these two groups across various aspects.

In terms of leadership experience, business performance, training, and distance to lending premises, notable distinctions were observed. Non-defaulters exhibited a significantly higher average of 3.2 years of leadership experience compared to the 1.2 years reported by loan defaulters, suggesting the potential influence of leadership experience on loan repayment behavior. The mean business performance for non-defaulters (3,213,600 Tanzanian Shillings) surpassed that of defaulters (1,512,000 Tsh), emphasizing the importance of robust business performance in successful loan repayment. Additionally, non-defaulters, on average, obtained a greater variety of training (3.1 units) compared to defaulters (1.1 units), underscoring the positive correlation between training and loan repayment. Furthermore, the mean distance to lending premises was significantly shorter for non-defaulters (8.3 kilometers) than for defaulters (11.4 kilometers), highlighting the potential impact of proximity on communication and interaction, thereby contributing to a lower likelihood of default.

Regarding insignificant variables, the study found that certain factors, including the age of recipients, loan size received, and group size, did not exhibit statistically significant differences between defaulters and non-defaulters. This implies that these variables may not be strong predictors of loan repayment behavior in the studied context.

Significant disparities were observed in marital status and level of education between defaulters and non-defaulters. These socio-demographic factors were found to influence loan repayment outcomes. Additionally, participants who defaulted on loans exhibited significant differences in the utilization of internal controls, belief in societal employment opportunities, and the types of projects financed. These findings suggest that individual beliefs, financial controls, and project characteristics contribute to loan repayment behavior.

Specifically, numeric comparisons revealed minor differences in the average age of loan defaulters (34.7 years) and non-defaulters (34.3 years), indicating that age may not be a strong predictor of loan repayment behavior in this study. Although loan defaulters had a slightly larger mean group size (5.0) compared to non-defaulters (4.5), the statistical significance of this difference was not provided, and its practical relevance remains unclear. Additionally, loan defaulters received a higher average loan amount (4,605,600 Tsh) compared to non-defaulters (4,505,700 Tsh), though this difference was not statistically significant.

Generally, the findings suggest that leadership experience, business performance, training, distance to lending premises, marital status, education level, utilization of internal controls, belief in societal employment opportunities, and project types are all factors associated with loan repayment behavior. These insights can inform lending institutions, policymakers, and stakeholders in designing targeted interventions and support mechanisms to enhance the likelihood of successful loan repayment among different borrower groups. However, it is essential to interpret the findings in the context of the study's limitations, and further research may be needed to validate and extend these findings to broader populations and settings.

Furthermore, the findings from the ordinal logistic regression model provide valuable insights into the factors influencing the loan repayment performance rate among youth groups in Tanzania. The statistically significant p-value ($p < 0.05$) and substantial R^2 value of 0.8546 of the model suggest that independent factors explain about 85.5% of the variability in the loan repayment performance rate. This underscores the model's robustness in capturing the dynamics of loan repayment behavior among youth groups.

The study identifies societal and cultural perceptions as influential factors affecting youth loan repayment. The negative impact observed at a 5% significance level suggests that a prevailing belief that individuals, especially graduates, should seek employment in established companies rather than venture into entrepreneurship hinders loan repayment. This finding contradicts some prior studies but aligns with others that emphasize institutional shortcomings, including inadequate understanding, eligibility requirements, and curriculum deficiencies in fostering entrepreneurial skills.

Furthermore, the research highlights the detrimental effects of diverting loans toward unanticipated expenses. The statistically significant negative impact on the repayment performance and long-term viability of the youth loan program, with 78.7% likelihood of non-repayment, the emphasizes is on the importance

of fund utilization monitoring. These findings align with previous research, emphasizing the need for targeted interventions to ensure funds are used for their intended purpose. Loan usage is a crucial factor in loan repayment that negatively affects the payback process. The aspect of loan repayment in question is crucial and has a negative influence on the repayment process. This finding was substantiated by a research conducted by Pasha and Negese (2014) on the efficacy of factors influencing loan repayment in the context of Ethiopian Micro Finance. Indications point to the fact that altering the intended purpose of a loan will result in an increase in the rate of default. In a research conducted by Chaudhary and Ishfaq [43] on the creditworthiness of rural borrowers in Pakistan, it was found that using a loan for investment purposes, rather than personal costs, enhances the borrower's ability to repay the loan. Pasha and Negese [38] conducted a study on the efficacy of loan repayment determinants in Ethiopian microfinance. They found that loan usage, which refers to how the loan is used, is a significant factor that has a negative impact on loan payback. This indicates that modifying the intended utilization of a loan will result in a higher rate of default. Chaudhary and Ishfaq's 2003 study on the credit worthiness of rural Pakistani borrowers found that utilizing a loan for investment purposes, rather than personal costs, enhances the borrower's capacity to repay the loan.

Peer pressure is identified as another significant factor influencing loan repayment, with a statistically significant and negative effect indicating a 50.4% increased likelihood of defaulting. This underscores the importance of considering social dynamics when designing loan programs for youth [45].

Additionally, demographic factors such as age, gender, education level, group size, leadership experience, business performance, loan size, distance to lending institutions, internal control usage, and nature of the business financed show varying degrees of influence on loan repayment, providing a nuanced understanding of the factors at play. A study conducted by Pacha & Negese (2014) and Thomas et al. [44] examined the influence of demographic factors, such as age, sex, marital status, and education level, on loan repayment. The findings revealed that women outperformed men in loan repayment, marital status did not have any significant effect, and higher education level had a positive impact on

loan repayment. The study conducted by Suhaimi et al in 2010 discovered that demographic parameters had an impact on the repayment performance of loans in Kuching. Specifically, the research demonstrated that gender did not have any correlation with loan repayment; however education level had a favorable influence on the ability to pay back loans. Additionally, this study revealed that age positively influences the ability to repay debt [46].

Generally, these findings contribute valuable insights for policymakers and organizations involved in youth development initiatives, emphasizing the need for targeted interventions addressing societal perceptions, fund diversion, and peer pressure. The study's comprehensive analysis of demographic factors further enriches our understanding of the complex dynamics shaping youth loan repayment behavior in Tanzania [47].

5. CONCLUSION

The study provides a comprehensive analysis of the factors influencing the loan repayment performance rate among youth groups in Tanzania. Utilizing an ordinal logistic regression model, the research identifies key socio-economic and institutional determinants and explores the reliability of the measurement instrument. The conclusions are presented in three main sections: a comparison of loan defaulters and non-defaulters, a test of instrument reliability, and an examination of factors influencing loan repayment performance.

Comparison of Loan Defaulters and Non-Defaulters: The study reveals significant differences between loan defaulters and non-defaulters across various factors. Leadership experience, business performance, training, and distance to lending premises emerged as influential determinants. Non-defaulters demonstrated higher leadership experience, better business performance, more training, and closer proximity to lending institutions. On the other hand, certain variables like age, loan size, and group size did not show statistically significant differences between the two groups.

Test of Reliability of the Instrument's Components: The study evaluates the internal consistency of the measurement instrument through Cronbach's alpha. The overall alpha coefficient of 0.78 indicates strong internal consistency across all measured constructs.

Individual variables, such as age of beneficiaries, group size of youth, leadership experience on loan, business performance for youth, and others, consistently exhibit good internal reliability. This robust internal consistency enhances the credibility of the study's findings.

Factors Influencing Loan Repayment Performance: The ordinal logistic regression model, with a significant p-value and a substantial R2 value of 0.8546, identifies influential factors. Societal and cultural views, loan diversion to unplanned projects, and peer pressure emerge as significant negative influences on loan repayment. Other demographic factors like age, gender, education level, and institutional aspects such as leadership experience, business performance, and training also show varying degrees of influence. The findings provide valuable insights for policymakers and stakeholders in designing targeted interventions to enhance loan repayment among different borrower groups.

Generally, the study contributes nuanced insights into the complex dynamics of youth loan repayment behaviour in Tanzania. The identified factors, including societal perceptions, fund diversion, and peer pressure, underscore the need for tailored interventions. The study's thorough analysis of demographic and institutional variables enriches our understanding of the multifaceted influences on loan repayment. Overall, a holistic approach considering socio-economic, institutional, and demographic factors is crucial for the effective design and implementation of youth loan programs. However, the conclusions should be interpreted in light of the study's limitations, and further research may be necessary to validate and extend these findings to broader contexts.

6. RECOMMENDATIONS

Based on the findings, the following recommendations are proposed:

1. **Policy Interventions**: Policymakers should consider addressing societal and cultural views that discourage entrepreneurship among youth. Tailored policies promoting a positive outlook on entrepreneurship may enhance loan repayment.
2. **Monitoring and Education**: Lending institutions should implement robust monitoring mechanisms to prevent loan

diversion to unplanned projects. Additionally, educational programs on financial literacy and fund utilization could be beneficial.
3. **Social Dynamics**: Loan programs should incorporate an understanding of social dynamics, including peer pressure. Strategies to mitigate negative influences and promote positive peer support can be integral to successful loan repayment.
4. **Demographic Considerations**: Lenders should take into account demographic factors such as age, gender, and education level when designing loan programs. Customized approaches for different demographic groups may improve overall repayment rates.
5. **Instrument Refinement**: Continuous refinement of measurement instruments is recommended to ensure ongoing reliability and validity. Regular evaluations of internal consistency should be conducted to maintain the credibility of research findings.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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