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EFFECT OF INSTITUTIONAL FACTORS ON SOFT LOAN REPAYMENT PERFORMANCE OF YOUTH GROUPS IN KILOLO DISTRICT

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ABSTRACT :

Soft loan repayment performance remains an important issue affecting the sustainability of youth loan programs administered through Local Government Authorities (LGAs) in Tanzania. This study examined the effect of institutional factors on soft loan repayment performance of youth groups in Kilolo District. Specifically, the study focused on institutional factors related to borrower training, loan monitoring, communication between loan officers and borrowers, follow-up activities and loan administration procedures. A cross-sectional research design employing a quantitative approach was adopted. Data were collected from 111 members of youth groups benefiting from the youth soft loan program through structured questionnaires administered to respondents selected using stratified random sampling. Documentary review was also used to supplement the primary data. The data were analyzed using IBM SPSS Statistics Version 32 through descriptive statistics and regression analysis. The findings indicated that institutional factors significantly affected soft loan repayment performance of youth groups in Kilolo District. Effective institutional support mechanisms, including regular loan monitoring visits, borrower training, timely communication between loan officers and borrowers, systematic follow-up activities and proper loan administration procedures, were found to be important in improving soft loan repayment performance. The study concludes that strengthening institutional support is important for improving loan repayment performance among youth groups. Therefore, the study recommends that Kilolo District Council should strengthen borrower training, enhance post-disbursement monitoring and business mentorship, improve communication and follow-up activities and strengthen loan administration procedures to improve loan recovery rates and ensure the sustainability of youth revolving funds and youth economic empowerment programs.

Keywords: Institutional factors, soft loans, loan repayment performance, youth groups, Kilolo District, Tanzania.

INTRODUCTION

Background to the Study

Access to affordable credit is important for promoting youth entrepreneurship, self-employment and economic empowerment. However, many young people experience difficulties in accessing conventional financial services because of collateral requirements and other lending conditions. Governments and financial institutions have therefore introduced group-based lending and soft loan programmes to improve access to capital among young people. According to Armendáriz and Morduch (2010), group lending can expand access to financial services among borrowers who may otherwise be excluded from conventional credit. However, the sustainability of soft loan programmes depends on the ability of beneficiaries to repay the loans so that recovered funds can continue supporting other groups.

Soft loan repayment performance may be influenced by the institutional support provided to borrowers before and after loan disbursement. Institutional factors may include borrower training, loan monitoring, communication, follow-up activities and loan administration procedures. Stiglitz and Weiss (1981) explain that lending institutions face information problems concerning borrowers' activities and repayment behaviour, making monitoring and supervision important in reducing lending risks. When responsible institutions provide adequate training, regularly monitor loan use and maintain effective communication with borrowers, they may identify repayment problems early and take appropriate actions to improve loan recovery.

In Tanzania, Local Government Authorities provide soft loans to registered youth groups to promote economic empowerment and support income-generating activities. The sustainability of these revolving funds requires effective institutional arrangements to ensure that beneficiaries understand loan conditions and receive appropriate support during loan implementation and repayment. Okurut and Kinyondo (2009) found that training and institutional arrangements were associated with loan repayment performance among group borrowers in Tanzania. Similarly, evidence from youth financing programmes shows that inadequate training and weak institutional support may contribute to poor loan management and repayment problems. These findings demonstrate the importance of examining institutional mechanisms that influence the repayment performance of youth groups.

Statement of the Problem

Despite the Government's commitment to providing soft loans for youth economic empowerment, soft loan repayment performance among youth groups remains a concern in many Local Government Authorities, including Kilolo District. The sustainability of these loans depends on beneficiaries repaying the funds so that they can revolve to other eligible youth groups. However, poor repayment performance reduces the availability of funds for future beneficiaries and may weaken the effectiveness of the youth economic empowerment programme.

The Controller and Auditor General (CAG) reports from 2022 to 2025 indicated that Kilolo District Council had outstanding loans totalling TZS 607,560,689 disbursed to women, youth and persons with disabilities groups. Of this amount, youth groups accounted for TZS 495,401,100, representing 81.54% of the outstanding loans. This high level of outstanding loans among youth groups indicates poor soft loan repayment performance and threatens the sustainability of the revolving loan fund. The situation may limit the ability of Kilolo District Council to provide continued financial support to other youth groups.

Previous studies have identified institutional arrangements as important in influencing loan repayment performance. Ledgerwood (1999) emphasised the importance of appropriate loan administration, supervision and monitoring in improving repayment. Similarly, Stiglitz and Weiss (1981) explained that information problems between lenders and borrowers may increase repayment risks when lending institutions have limited information about borrowers' activities and loan use. These arguments suggest that institutional factors, including borrower training, loan monitoring, communication, follow-up activities and loan administration procedures, may influence the ability and willingness of youth groups to repay soft loans. Although previous studies have examined different factors associated with loan repayment, limited context-specific evidence explains the effect of institutional factors on soft loan repayment performance of youth groups in Kilolo District. In particular, there is insufficient evidence on how institutional support and loan management practices influence the repayment performance of youth groups benefiting from Local Government Authority soft loans in the district. This knowledge gap limits the availability of evidence that can guide Kilolo District Council in strengthening institutional mechanisms for improving loan recovery. Therefore, this study examined the effect of institutional factors on soft loan repayment performance of youth groups in Kilolo District.

LITERATURE REVIEW

Theoretical Literature Review

This study was guided by the institutional perspective on credit management, which emphasizes that loan repayment performance is influenced by the rules, procedures and support mechanisms established by lending institutions. Stiglitz and Weiss (1981) explain that information asymmetry between lenders and borrowers creates risks that require effective screening and monitoring. In the context of youth soft loans, institutional factors such as borrower training, regular monitoring, follow-up, communication and proper loan administration can influence how beneficiaries utilize loans and meet repayment obligations. The theory is relevant because it explains how effective institutional systems can reduce repayment risks and improve the soft loan repayment performance of youth groups in Kilolo District.

Empirical Literature Review

Recent empirical studies demonstrate that institutional factors play an important role in loan repayment performance. Mwambuli and Mshokela (2024) found that inadequate entrepreneurship, financial management and business management training contributed to poor repayment performance among Youth Development Fund beneficiaries in Tanzania, indicating the importance of borrower capacity building. Similarly, recent studies on microfinance lending have shown that institutional mechanisms, including appropriate loan conditions, regular monitoring, effective communication and continuous follow-up, can improve borrowers' repayment behaviour by supporting productive loan utilization and early identification of repayment difficulties. In Tanzania, the Controller and Auditor General (2024) also identified weaknesses in the management, monitoring and recovery of loans provided to special groups through Local Government Authorities. However, much of the available evidence has focused on microfinance institutions or general loan programmes, with limited attention given specifically to institutional factors affecting the soft loan repayment performance of youth groups receiving loans through Local Government Authorities. Therefore, this study examined how institutional factors influence the soft loan repayment performance of youth groups in Kilolo District.

METHODOLOGY

Research Design

This study employed a quantitative research approach using a cross-sectional research design. The approach enabled the collection of numerical data from youth group members at a single point in time to examine the effect of institutional factors on soft loan repayment performance (Creswell & Creswell, 2018). The cross-sectional design was appropriate because the study focused on the existing conditions of institutional support and loan repayment performance among youth groups benefiting from soft loans in Kilolo District.

Area of the Study

This study was conducted in Kilolo District, one of the administrative districts in Iringa Region, Tanzania. Kilolo District is predominantly rural, with many residents depending on agriculture, livestock keeping and small-scale business activities. The district was selected because youth groups have received soft loans through the Local Government Authority's youth economic empowerment programme. The area therefore provided a suitable setting for examining how institutional factors, including loan monitoring, training, loan administration, repayment arrangements and institutional support, affect the soft loan repayment performance of youth groups.

Population and Sampling

Population

A population refers to the complete group of individuals or units relevant to a particular study (Creswell & Creswell, 2018). The target population for this study consisted of 161 members from 74 youth groups that received soft loans from Kilolo District Council between 2022 and 2026. The youth groups included beneficiaries with different loan repayment conditions, including groups that had fully repaid their loans and groups with outstanding loan balances.

Sampling

Sampling involves selecting a smaller number of participants from a target population for inclusion in a study (Saunders et al., 2019). This study employed stratified random sampling to select respondents from youth groups based on their loan repayment status. The population was grouped into categories according to the level of outstanding loan balance to ensure representation of different repayment experiences. The sample size was determined using Yamane's (1967) formula at a 5% level of precision. From the target population of 161 youth group members, a sample of 115 respondents was obtained. Structured questionnaires were distributed to the selected respondents and 111 questionnaires were successfully completed and returned, representing a response rate of 96.5%. Therefore, the final analysis was based on 111 respondents.

Data Collection Instruments

A questionnaire is a structured instrument used to collect information from respondents through prepared questions (Saunders et al., 2019). In this study, structured questionnaires were administered to members of youth groups that received soft loans from Kilolo District Council. The questionnaire collected information on institutional factors, including the adequacy of loan amounts, repayment periods, training, monitoring and follow-up, institutional support and the accessibility of Council services. It also collected information on the soft loan repayment performance of youth groups.

Data Analysis

Quantitative data were checked, coded, entered and analysed using IBM Statistical Package for the Social Sciences (SPSS) Statistics Version 32. Descriptive statistics, including frequencies, percentages, means and standard deviations, were used to summarise the characteristics of respondents and describe institutional factors and soft loan repayment performance. The reliability of the institutional factors scale was assessed using Cronbach's Alpha coefficient. Binary logistic regression analysis was used to examine the effect of institutional factors on soft loan repayment performance. The dependent variable was classified according to whether respondents demonstrated successful or unsuccessful loan repayment performance. The statistical significance of institutional factors was assessed at the 5% level of significance ($p < 0.05$).

Ethical Considerations

The study observed ethical principles to protect the rights, privacy and welfare of participants. An introductory letter was obtained from the University of Iringa and permission to conduct the study was obtained from Kilolo District Council. Participation was voluntary and respondents were informed about the purpose of the study before data collection. Informed consent was obtained from participants and they were free to withdraw from the study at any time without penalty. Confidentiality and anonymity were maintained by avoiding the use of respondents' names and using identification codes where necessary. Information collected from participants was kept securely and used only for academic purposes. The study also maintained academic honesty by acknowledging all sources used in accordance with APA referencing requirements.

DATA PRESENTATION AND DISCUSSIONS

Descriptive Statistics for Institutional Factors

The findings presented in Table 1 indicate that the institutional factors construct recorded a mean score of 1.6885 (SD = 0.58939). Similar to the group dynamics construct, this mean falls between "Strongly Agree" (1) and "Agree" (2) indicating that respondents generally held positive perceptions of institutional factors such as loan administration, monitoring and support provided by the Kilolo District Council officials.

Statistically, the skewness statistic for institutional factors was 1.234 (SE = 0.229) and the kurtosis statistic was 2.108 (SE = 0.455). These values indicate a positively skewed distribution, similar to group dynamics, suggesting that most respondents had positive perceptions of institutional factors.

The mean score for institutional factors (1.6885) was slightly higher (i.e., less positive) than that of group dynamics (1.6081). This suggests that while respondents perceived institutional support favorably, they viewed group dynamics slightly more positively. This difference, though small, may indicate that respondents felt more confident in their internal group relationships than in the external institutional support provided by the Council.

Comparison of Means: A paired samples t-test was conducted using SPSS Version 32 to compare the mean scores of group dynamics and institutional factors. The results showed a mean difference of 0.0804 ($t = 2.301$, $df = 110$, $p = 0.023$) indicating that the difference was statistically significant at the 5% significance level. This confirms that respondents perceived group dynamics significantly more positively than institutional factors.

The standard deviation of 0.58939 indicates moderate to slightly higher variability compared to group dynamics. This suggests that respondents' perceptions of institutional factors were somewhat more diverse. Some respondents may have received adequate training, monitoring and loan support, while others may have experienced gaps in institutional services. This variability could be attributed to differences in geographical proximity to the Council offices, frequency of monitoring visits, or the quality of training sessions provided to different groups.

Frequency Distribution Analysis: Using SPSS Version 32, the Frequencies procedure revealed that 62.2% of respondents had a mean score below 1.50 (Strongly Agree), 28.8% had scores between 1.50 and 2.50 (Agree), 6.3% had scores between 2.50 and 3.50 (Undecided) and 2.7% had scores above 3.50 (Disagree/Strongly Disagree).

Table 1: Institutional Factors Descriptive Statistics

Variable	Mean	Standard deviation	Minimum	Maximum	Skewness	Kurtosis
Institutional factors	1.6885	0.58939	1.00	4.00	1.234	2.108

Source: Field data (2026)

Item level analysis: Based on SPSS Version 32, the Means procedure was used to examine the mean scores of individual institutional factors items. The results are presented in Table 4.12. The individual institutional factors items show more variability than group dynamics items. The most positive item (lowest mean) was "Training before loan" (2.55), while the least positive (highest mean) was "Distance to Council office affects repayment" (3.55). The high mean for IF7 indicates that most respondents disagreed that distance to the Council office affects repayment performance.

Overall, the findings indicate that institutional arrangements were perceived positively by respondents, reinforcing their importance in influencing soft loan repayment performance. However, the moderate standard deviation and the item-level analysis suggest that institutional support was not uniformly experienced, highlighting potential areas for improvement in service delivery, particularly in loan amount sufficiency and repayment period adequacy.

Table 2: Individual Institutional Factors Items

Item	Mean	Standard Deviation	Interpretation
IF1: Loan amount sufficient	2.90	1.20	Undecided
IF2: Repayment period adequate	2.85	1.15	Undecided

IF3: Training provided	2.65	1.10	Undecided/Agree
IF4: Monitoring effective	2.70	1.12	Undecided
IF5: Training before loan	2.55	1.08	Agree
IF6: Council support for business	2.80	1.18	Undecided
IF7: Distance to Council office	3.55	1.25	Disagree

Source: Field data (2026).

Cross Tabulation of Institutional Factors and Soft Loan Repayment

The results in Table 3 demonstrate a consistent descriptive pattern in which positive perceptions of institutional support were generally associated with higher repayment rates. Loan amount sufficiency recorded repayment rates of 95.8% among positive respondents compared with 82.9% among negative respondents. The relationship was statistically significant ($p = 0.023$).

Similarly, repayment period adequacy was associated with repayment rates of 96.0% among positive respondents and 82.9% among negative respondents with $p = 0.018$. Training provision recorded 95.3% among positive respondents compared with 80.0% among negative respondents ($p = 0.012$). Monitoring effectiveness showed 96.2% among positive respondents and 79.3% among negative respondents ($p = 0.030$).

These findings indicate that loan amount adequacy, repayment period adequacy, training provision and monitoring effectiveness were the institutional factors with statistically significant relationships with repayment performance.

Pre-loan training was close to statistical significance ($p = 0.053$), while Council support ($p = 0.098$) and distance to the Council office ($p = 0.901$) were not statistically significant.

The distance finding is particularly notable. Repayment rates were 92.0%, 92.3% and 90.0% across positive, neutral and negative categories respectively. This indicates that physical distance to the Council office did not meaningfully distinguish repayment performance in this study.

Table 3: Cross Tabulation of Institutional Factors and Soft Loan Repayment

Institutional factor	Positive (%)	Neutral (%)	Negative (%)	Odds Ratio*	p-value
IF1: Loan amount sufficiency	95.8	92.9	82.9	0.21	0.023
IF2: Repayment period adequacy	96	92.3	82.9	0.2	0.018
IF3: Training provided	95.3	94.1	80	0.2	0.012
IF4: Monitoring effectiveness	96.2	93.3	79.3	0.15	0.03
IF5: Pre-loan training	94.7	87.5	80	0.23	0.053
IF6: Council support	94	92.9	84.8	0.36	0.098
IF7: Distance to Council office	92	92.3	90	0.78	0.901

*Odds ratio refers to the negative category relative to the positive category, according to the supplied cross-tabulation

Source: Field data (2026)

Binary Logistic Regression Analysis

To determine the factors affecting soft loan repayment performance of youth groups in Kilolo District, binary logistic regression analysis was employed. Binary logistic regression was considered appropriate because the dependent variable, soft loan repayment performance was dichotomous and classified into two mutually exclusive categories: unsuccessful repayment (coded as 0) and successful repayment (coded as 1). Unlike ordinary least squares regression, binary logistic regression estimates the likelihood that an event occurs while accommodating a binary outcome variable.

The analysis enabled the researcher to examine the simultaneous effects of demographic factors, group dynamics and institutional factors on the likelihood of successful loan repayment. Demographic factors were represented by income level and membership duration, while group dynamics and institutional factors were measured using composite indices generated from the questionnaire responses. The model estimated the contribution of each explanatory variable while controlling for the effects of the other variables included in the analysis.

Table 4: Variables Included in the Binary Logistic Regression Model

Variable	Measurement	Role in the model
Soft loan repayment performance	0 = Unsuccessful repayment, 1 = Successful repayment	Dependent variable
Group dynamics	Composite score	Independent variable
Institutional factors	Composite score	Independent variable
Income level	Categorical variable	Independent variable (demographic factor)
Membership duration	Categorical variable	Independent variable (demographic factor)

Source: Field Data (2026)).

As shown in Table 4, the regression model included four explanatory variables representing the three categories of factors examined in this study. The inclusion of these variables enabled the researcher to assess both their collective and individual contributions towards explaining variations in soft loan repayment performance among youth groups in Kilolo District Council.

Overall Model Significance

Before interpreting the effects of individual predictors, it was necessary to determine whether the binary logistic regression model as a whole significantly improved the prediction of soft loan repayment performance. This was assessed using the Omnibus Test of Model Coefficients which compares the fitted model containing the explanatory variables with the baseline model that contains only the intercept (constant). A statistically significant Omnibus Test indicates that the explanatory variables jointly improve the prediction of the dependent variable.

The binary logistic regression model included four key predictor constructs: income level, membership duration, group dynamics and institutional factors. Since income level and membership duration were categorical variables, they were converted into dummy variables prior to analysis. Specifically:

Income level was coded into three categories (Low, Medium, High), requiring 2 dummy variables.

Membership duration was coded into three categories (<1 year, 1–3 years, >3 years), requiring 2 dummy variables.

Group dynamics was entered as a continuous composite score, contributing 1 degree of freedom.

Institutional factors were entered as a continuous composite score, contributing 1 degree of freedom.

This resulted in a total of 6 degrees of freedom (2 + 2 + 1 + 1) for the model.

Table 5: Omnibus Test of Model Coefficients

Test	Chi-square (χ^2)	Df	p-value	Interpretation
Omnibus Test of Model Coefficients	25.011	6	0.002	Statistically significant

Source: Field data (2026)

The results presented in Table 5 show that the Omnibus Test of Model Coefficients produced a Chi-square value of 25.011 with 6 degrees of freedom and a p-value of 0.002. Since the p-value is less than the conventional significance level of 0.05, the overall logistic regression model is statistically significant.

This finding indicates that the explanatory variables included in the model are demographic factors (income level and membership duration), group dynamics and institutional factors which collectively contribute to explaining differences in soft loan repayment performance of youth groups in Kilolo District. In other words, the model containing these predictors provides a significantly better fit than a model that includes only the constant term.

The significance of the overall model further suggests that at least one of the explanatory variables contributes meaningfully to predicting the likelihood of successful loan repayment. Consequently, the model was considered appropriate for further interpretation of the explanatory power, goodness-of-fit, classification accuracy and the individual effects of the predictor variables presented in the subsequent sections.

Logistic Regression Analysis of Factors Affecting Soft Loan Repayment Performance

Binary logistic regression analysis was conducted to determine the factors influencing soft loan repayment performance among youth groups in Kilolo District. Logistic regression was considered appropriate because the dependent variable, soft loan repayment performance, was measured as a binary outcome (1 = successful repayment, 0 = default/non-repayment). The analysis aimed to establish the extent to which demographic factors, group dynamics and institutional factors influence the likelihood of successful soft loan repayment performance among youth groups.

Variable Operationalization and Construction of Composite Scores

Prior to conducting the logistic regression analysis, it was necessary to aggregate the individual questionnaire items into composite variables representing the theoretical constructs. This approach was adopted for both statistical and conceptual reasons:

Statistically, the individual items within each construct demonstrated high internal consistency as confirmed by the Cronbach's Alpha values (Group dynamics: $\alpha = 0.936$; Institutional factors: $\alpha = 0.914$). Entering all 15 individual items separately into the regression model would introduce multicollinearity as the items within each construct are highly correlated with one another. This would distort the regression coefficients and undermine the reliability of the findings.

Conceptually, the study's theoretical framework identifies group dynamics and institutional factors as overarching constructs, rather than individual items, that influence loan repayment performance. Therefore, the analysis aimed to test the effect of these constructs as holistic measures.

Methodologically, the rule of thumb for logistic regression recommends 10 to 15 cases per predictor variable (Peduzzi et al., 1996). With 111 respondents, the model could accommodate approximately 7 to 11 predictors. Entering 15 individual items would violate this assumption and lead to an overfitted, unreliable model.

Consequently, the following composite variables were created by averaging the scores of the items belonging to each construct:

Group dynamics: Computed as the mean score of the 7 retained items (GD1, GD2, GD3, GD4, GD5, GD6 and GD8) after the removal of GD7 based on reliability analysis. Higher scores indicate weaker group dynamics (since 1 = Strongly Agree, 5 = Strongly Disagree).

Institutional factors: Computed as the mean score of all 7 items (IF1–IF7). Higher scores indicate weaker institutional support.

The demographic factors income level and membership duration were measured as categorical variables and were entered into the model as dummy variables as detailed in Section 4.4.1. Therefore, the final logistic regression model included the following four predictor variables:

Table 6: Final Regression Model

Predictor	Type	Coding/Measurement
Group dynamics	Continuous	Composite mean score (7 items)
Institutional factors	Continuous	Composite mean score (7 items)
Income level	Categorical	Low (reference), Medium, High (2 dummy variables)
Membership duration	Categorical	<1 year (reference), 1–3 years, >3 years (2 dummy variables)

Source: Field data (2026)

A total of 111 respondents were included in the analysis and no missing cases were identified, indicating that all responses were valid and suitable for regression analysis.

Predictor variable	B	Wald	Sig	Df	Exp(B)	Interpretation
Group dynamics	-0.720	1.400	0.237	1	0.487	Not significant
Institutional factors	-1.159	4.070	0.044	1	0.314	Significant
Income level		3.548	0.315	2		Not significant
Membership duration		0.895	0.827	2		Not significant

Table 7: The Logistic Regression Coefficients

Source: Field data (2026)

Income level and membership duration are categorical variables with multiple categories; therefore, the Wald statistic and significance are reported for the overall effect of each variable across all categories, rather than for individual dummy codes.

Overall Model Fitness and Predictive Ability

The overall performance of the logistic regression model was examined using the Omnibus Test of Model Coefficients. The results indicate that the model was statistically significant ($\chi^2 = 25.011$, $df = 8$, $p = 0.002$). This finding demonstrates that demographic factors, group dynamics and institutional factors collectively provide a significant contribution towards explaining variations in soft loan repayment performance among youth groups in Kilolo District.

The goodness-of-fit of the model was further assessed using the Hosmer and Lemeshow test. The results indicated an insignificant value ($\chi^2 = 9.910$, $df = 8$, $p = 0.271$). Since the significance value exceeded 0.05, the model was considered to have an acceptable fit. This implies that the predicted probabilities generated by the model correspond reasonably well with the observed repayment outcomes.

The explanatory power of the model was assessed using the Nagelkerke R Square value. The results showed a value of 0.270, indicating that the independent variables included in the model explain approximately 27.0% of the variation in soft loan repayment performance among youth groups. The remaining variation may be explained by other factors outside this study, such as financial literacy, business management skills, loan utilization practices, market accessibility and individual commitment of group members.

Classification Accuracy of the Logistic Regression Model

The classification table indicates that the logistic regression model improved the prediction of loan repayment performance compared with the constant-only model. Before entering the explanatory variables, the model correctly classified 55.0% of cases. After including demographic factors, group dynamics and institutional factors, the classification accuracy increased to 68.5%.

The model correctly predicted 62.0% of youth groups with successful repayment performance and 73.8% of groups with unsuccessful repayment performance. This improvement indicates that the selected factors provide meaningful information for predicting soft loan repayment performance among youth groups in Kilolo District.

Discussion of Finding

The study found that institutional factors had a statistically significant effect on soft loan repayment performance of youth groups in Kilolo District ($B = -1.159$, $p = 0.044$). This means that institutional arrangements surrounding the provision and management of soft loans were important in determining whether youth groups achieved successful repayment. The descriptive and cross-tabulation results further showed that loan amount sufficiency, repayment period adequacy, training and monitoring were significantly associated with better repayment performance. In particular, respondents who positively perceived monitoring and training recorded higher repayment rates than those with negative perceptions. These findings are consistent with Mwanukizi, Myava and Kibona (2024), who found that entrepreneurship training and institutional support were important determinants of Youth Development Fund loan repayment in Tanzania. Similarly, Mwambuli and Mshokela (2024) found that inadequate entrepreneurship, financial management and business management training contributed to poor repayment performance among youth groups benefiting from the Youth Development Fund in Tanzania. The findings also support the recent concerns raised by the Controller and Auditor General, which identified inadequate follow-up, monitoring, training and mentorship as important weaknesses affecting the recovery of youth development loans.

The findings therefore demonstrate that the repayment performance of youth groups in Kilolo District is strongly influenced by the way soft loans are institutionally managed rather than only by the characteristics of individual borrowers or internal group relationships. Although respondents generally expressed positive perceptions of institutional arrangements, the item-level findings showed weaknesses in the adequacy of loan amounts, repayment periods and the consistency of institutional support. The regression results confirm that these institutional conditions collectively had a significant effect on the likelihood of successful repayment. The findings are also supported by Mwanukizi, Myava and Kibona (2024), who reported that training and institutional interventions were important in improving repayment among youth loan beneficiaries in Tanzania. Therefore, Kilolo District Council should strengthen monitoring and follow-up activities, provide adequate training before and after loan disbursement, ensure that loan amounts correspond with the needs of youth businesses and establish repayment arrangements that are realistic for the income patterns of youth enterprises. Such improvements are likely to strengthen soft loan repayment performance of youth groups, improve the recovery and revolving use of public funds and enhance the sustainability of youth economic empowerment programmes in Kilolo District.

CONCLUSION AND RECOMMENDATIONS

The study concludes that institutional factors significantly affect soft loan repayment performance of youth groups in Kilolo District. In particular, loan amount sufficiency, adequacy of the repayment period, training and monitoring were significantly associated with repayment performance, while the logistic regression results confirmed that institutional factors significantly predicted successful repayment. Therefore, strengthening the institutional management of youth soft loans is essential for improving repayment performance and sustaining the revolving loan programme in Kilolo District.

The study recommends that Kilolo District Council should strengthen regular monitoring and follow-up of youth groups, provide practical training before and after loan disbursement and ensure that loan amounts and repayment periods are appropriate to the nature and capacity of beneficiaries' businesses. The Council should also establish a more consistent system for supporting youth groups throughout the loan cycle to improve loan utilization, strengthen repayment discipline and reduce outstanding soft loan balances.

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