



The Effects of Credit Collection Policy on Portfolio at Risk of Microfinance Institutions in Tanzania

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Keywords

Credit Collection,
Portfolio at Risk,
Microfinance
Institutions.

Jel Classification

D23, G21, G23, G32.

Abstract

This paper presents the results of the study on the effect of credit collection policy on portfolio risk management among microfinance institutions in Tanzania. The study used cross-sectional survey data of microfinance institutions in three regions of Dar es salaam, Morogoro and Dodoma. Random sampling was employed to obtain a sample of 219 respondents in all three regions. Multiple linear regression analysis was used to determine the effect of credit collection policy on portfolio at risk of microfinance institutions. Results show that, interest rates positively influence portfolio at risk of microfinance institutions. On the other hand, grace period on loans and loan size are negatively related to portfolio at risk of microfinance institutions. These results suggest that, microfinance institutions can focus on explanatory variables used in the study for enhanced quality of financial performance of the microfinance industry.