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# Loan Application Documents, Borrower Literacy Levels and Their Effect on Loan Recovery among Commercial Banks In Burundi

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**ABSTRACT: -** This study was about to assess the role of loan application documents and borrower literacy levels on loan recovery among commercial Banks in Burundi with a case of Banque de Credit de Bujumbura (BCB)and Interbank Burundi (IBB). The specific objectives were to: assess the relationship between loan application documents and loan recovery; evaluate the relationship between literacy levels of borrowers and loan recovery; and study the factor structure of loan application documents, borrower literacy levels and loan recovery in Banque de Credit de Bujumbura and Interbank Burundi.

The research design was descriptive and cross-sectional, and used quantitative research approach. A study population of 300 gave a sample size of 169 respondents which was used. Simple random sampling and purposive sampling were used to select respondents. The data collected was analyzed using SPSS version 22.0. Descriptive analysis was used, Pearson correlation was used to test the relationship between the study variables, while regression analysis was used to test the effect between the variables of the study.

The findings show a significant positive relationship between Loan application documents and Loan recovery($r = 0.499$, P-value $< 0.01$); a significant positive relationship between Borrower literacy levels and Loan recovery ($r = 0.461$, P-value $< 0.01$) and ($R= 0.713$) in a combination of Loan application documents and Borrower literacy levels in assessing the level to which they can predict the level of Loan recovery and significantly positive factor analysis results across all variables.

The study recommends the need to sensitize customers and explain loan application terms in depth before they decide to take the loan, that there should be a sign language assistant to help customers with reading and writing disabilities, that there should be moral persuasion and creation of awareness about the dangers of loan default to both the customers and the banking facility, that the bank should create avenues to interact with customers not only when they want loans but to understand them better and use this in credit assessment and that Loan terms should be revised to ensure that either party in a loan agreement has the ability to read and write, even if it means hiring an expert.

**Key Words:** Loan, Loan application documents; Borrower Literacy; and Loan Recovery, and Commercial Bank.

## I. INTRODUCTION

Banks have been in place for over hundred and fifty years in the world and in Burundi for over forty years. Their major focus is on mobilization of savings and provision of loans to their members at agreed interest rates. Banks are key financial intermediaries harmonizing transaction activities right from money transfers, savings and credit to foreign exchange (Eppy, 2005). Over the last decade, many financial institutions were never so serious in their efforts to ensure timely loan recovery and consequent reduction of Non-Performing Assets (NPAs) as they are today. Loan recovery is defined as a process of pursuing loans which have not been repaid and managing to recover them by convincing the loanies/ borrowers to make attempts to repay their outstanding loans (Marsh, 2008). The role of recovering loans is not an easy task as clients will go out of their way to prove inaccessible to the lender/bank (Leippold, 2006). It is important to note that loan recovery management, be of fresh loans or old loans, is central to NPA management. This management process needs to start at the loan initiating stage itself. According to (McSweeney, 2009), effective management of loan recovery and NPAs comprise two pronged strategy. First relates to arresting of the defaults and creation of NPA thereof and the second is to handling of loan delinquencies. The tenets of financial sector reforms are revolutionary which have created a sense of urgency in the minds of staff of bank and has given them an opportunity to perform or incur losses. Commercial banks in Burundi have intensified loan recovery strategies in order to reduce bad debts and improve their loan books (BCB, 2015). Over 76% of the commercial banks in Burundi in the year 2014 noted that they had focused their credit monitoring and recovery strategies on personal or household loans while 56% had focused their loan recovery strategies on the trade sectors (BCB, 2015).

Credit is one of the many factors that can be used by a bank to influence demand for its products. According to (CBK, 2009), banks can only benefit from credit if the profitability generated from increased sales exceeds the added costs of receivables. Thus,(Abdus, 2004) defines credit as the lending of money by one or more individuals, organizations, and/or other entities to other individuals, organizations. Banks are financial institutions that are established for lending, borrowing, issuing, exchanging, taking deposits, safeguarding or handling money under the laws and guide lines of a respective country. Among their activities, credit provision is the main product which banks provide to potential business entrepreneurs as a main source of generating income. While providing credit as a main source of generating income, banks take into account many considerations as a factor of credit recovery which helps them to minimize the risk of default that results in financial distress and bankruptcy. This is due to the reason that while banks providing credit they are exposed to risk of default (risk of interest and principal repayment) which need to be managed effectively to acquire the required level of loan growth and performance.

The types and degree of risks to which banks are exposed depends upon a number of factors such as its size, complexity of the business activities, volume etc. It is believed that generally banks face Credit, Market, Liquidity, Operational, Compliance /legal/regulatory and reputation risks among which credit risk is known to have the adverse impact on profitability and growth. Hence, the success of most commercial banks lieson the achievements in credit recovery mitigating risk to the acceptable level.(Huang, 2006) stressed the importance of credit recovery as follows: Credit recovery process deserves special emphasis because proper credit recovery greatly influences the success or failure of financial institutions.

This indicates that credit provision should be accompanied by appropriate documentation and attractive credit policies and procedures that enhance performance of credit recovery and protects the banking industry from failure. Credit management means the total process of lending starting from inquiring potential borrowers up to recovering the amount granted. In the sense of banking sector, credit is concerned with activities such as accepting application, loan appraisal, loan approval, monitoring, recovery of non-performing loans, etc.(Fan, 2004). Payment of the debt should not be postponed for too long as delayed payments and bad debts are a cost to the company. Thus, Efficiency and effectiveness in performing each steps of loan processing using various parameters has significant effect on loan recovery.

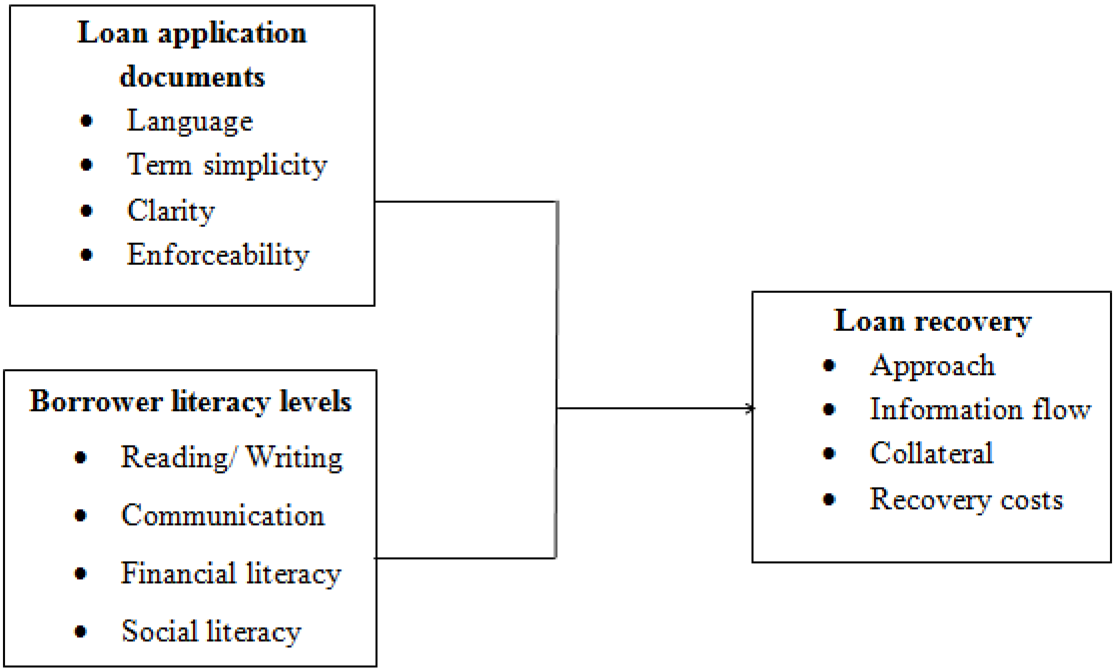
## II. STATEMENT OF THE PROBLEM

Despite phenomenal growth, Burundi's banking industry has experienced a myriad of challenges in regards to loan recovery. Non-performing loans in Burundi's banking sector shot up by 17.21% in 2014. Bank lending if not properly assessed, involves the risk that the borrower wills not be able or willing to honor their obligations (Gahigi, 2015). The credit facilities given to customers are often paid late or not paid at all leaving the bank exposed to default risk. It is important to note that despite the rigorous screening undertaken in the credit assessment process which includes among others; proof that customer does not have other credit obligation, analysis of their account performance, sustainability of their income level, security and ability to pay, there are difficulties in recovering credit extended to the customers by banks.

While the banking sector in Burundi expands at an increasing rate and becomes intensely competitive, every financial institution needs to adopt some sound strategies which will enable it to have competitive edge over other. As competition intensifies, many banks continue to seek profitable ways in which to differentiate themselves from the competitors, which are unsecured. The greatest challenge that banks face is loan default by the customers. In an exhaustive pilot prior to the study, it was discovered that the most popular cause of default among BCB and IBB customers was the design and complexity of the loan application documents which did not rhyme with the literacy levels of most borrowers (Nteziryayo, 2016). The technicalities, terms and language used in the loan application documents can only be understood by few of the borrowers and the Bank has not done much to ensure explanation of some complex terms and the practicality of the conditions which results in customers signing documents without really understanding what they are agreeing to but because they need the money (Gahigi, 2015). This eventually leads to customers declining to meet their credit obligations or sometimes stubbornly dodging repayment even in cases where both parties can reach an amicable settlement and have continued patronage. This is the gap the study sought to address by answering the research question; what is the effect of loan application documents and borrower literacy levels on loan recovery in BCB and IBB in Burundi?

The aim of this study was to assess the role of loan application documents and borrower literacy levels in loan recovery among commercial Banks in Burundi, specifically BCB and IBB with a view of promoting information flow, collateral, and recovery costs. This study was guided also by the following research questions such as: What is the relationship between loan application documents and loan recovery in BCB and IBB in Burundi?; What is the relationship between literacy levels of borrowers and loan recovery in BCB and IBB in Burundi?; and What is the factor structure of loan application documents, borrower literacy levels and loan recovery in BCB and IBB in Burundi?

## III. CONCEPTUAL FRAME WORK




**Source: Adapted from (Garvin, 2015)**in Banking finance handbook: an institutional and financial perspective, (Radford, 2010) in Factors influencing the loan repayment performance of Bank in Ethiopia, and (Armand, 2012) in Loan repayment and its determinants in medium-size business financing in Australia.

## III. LITERATURE REVIEW

**Loan application documents and Loan recovery**

A loan is the lending of money by one or more individuals, organizations, and/or other entities to other individuals, organizations etc. The recipient (i.e. the borrower) incurs a debt, and is usually liable to pay interest on that debt until it is repaid, and also to repay the principal amount borrowed. Loan application documents often specify loan amount and purpose, period and means of repayment, and guaranties and/or collateral offered are required of the party applying for a loan and these drafted in accordance with a financial intermediary's credit policy.Loan recovery is the process of pursuing loans which have not been repaid and managing to recover them by convincing the borrowers to make attempts to repay their outstanding loans. Normally, this role of recovering loans is not an easy task as clients will go out of their way to prove inaccessible to the lender (Fan, 2004). The banking industry in most cases has a loan recovery unit which is in charge of following loans before they become delinquent and make attempts to recover the loans. Loan recovery is a very important component of banking as it plays a key role in ensuring that the main objective of the bank (to issue loans) results into the desired outcome of making a margin out of the loans advanced. It is evident that the presence of loan recovery puts pressure to the borrowers to pay up lest they get the dreaded calls from the banking staff through the loan recovery unit. Loan recovery unit is involved in the day today role of ensuring that the loans issued to the bank's customers are repaid as per the schedule of contract signed by the customer and bank. The task of loan recovery entails compiling a list of overdue loans and proactively managing the loans by calling up customers who are defaulting (Gebeyehu, 2002).

Banks must operate within sound, well-defined credit-granting criteria. These criteria should include a clear indication of the bank's target market and a thorough understanding of the borrower or counterparty, as well as the purpose and structure of the credit, and its source of repayment. Banks also ought to establish overall credit limits at the level of individual borrowers and counterparties, and groups of connected counterparties that aggregate in comparable and meaningful manner different types of exposures, both in the banking and trading book and on and off the balance sheet as well as have a clearly-established process in place for approving new credits as well as the amendment, renewal and re-financing of existing credits. Loan recovery can be measured with attributes like Approach, Information flow, Collateral and Recovery costs.

The relationship between loan application documents and loan recovery has been at the forefront of banking literature for many years. Numerous scholars have theorized about the positive relationship that exists between loan application documents and recovery of a credit facility (Huang, 2006). However, the studies have differed in their approaches to measuring loan application documents, with some using a multi-dimensional approach and others using a uni-dimensional approach. Therefore, banks may benefit from differently drafting the loan issuance documents. Such banks innovate and introduce new simpler terms frequently while taking risks in their loan recovery strategies (Miller, 2012). Efforts to anticipate loan repayment patterns and politely introduce terms and conditions that will facilitate quick repayment of loans often results in drops in borrower numbers while in some cases they increase but all also widen the risk (Subari, 2013). Thus, conceptual arguments suggest that simpler loan application documents lead to easier loan recovery. Extensive discussion of the arguments can be found in (Fan, 2004). Indeed, these suggestions form the basis for the interest in studying the relationship between loan application documents and loan recovery. In an environment of rapid change in banking sectors world over and lengthy loan lifecycles, the future profit streams from credit facilities are uncertain and banks need to constantly seek out new loan package ideas (Subari, 2013). Therefore, well drafted loan application documents lead to higher loan performance as a result of strategic loan recovery.

**Borrower Literacy levels and Loan Recovery**

Borrower literacy levels can be defined as the capacity and mode of behavior, the ability to understand and employ printed information in the process of transacting with a bank in order to achieve their transactional. Borrower literacy levels are considered as key determinant factor in all major transactions with a bank since most of these are information driven and involve the evaluation and approval of various terms and conditions contained in both physical and non-documents. The ability to evaluate or assess a process critically without interference or bias can best be achieved if one reads independently and this is only possible if the person in question can read and write. Borrower literacy levels can best be measured basing on a model by (Radford, 2010) using attributes like Reading/writing, Communication, Financial literacy and Social literacy. Borrower literacy levels provide a basis for knowledge, customer awareness and raises focus towards response to economic change. Loan recovery strategies, such as strategic borrower examination, which enables Banks to screen their customers and the way they issue out credit, are all guided by facilitate borrower literacy levels. Literacy levels empower borrowers to commit to long-term risky credit facilities fully aware of their obligations and responsibilities and align their aspirations with the acquired resources thereby putting all their effort in what they invest in which in turn raises chances of loan repayment, this is reflected on the side of the bank in terms of loan (Cooper, 2008). Based upon the key attributes of borrower literacy levels and incorporating them into the operations portfolio of credit issuance, a Bank establishes structures that will optimally exploit these attributes and put them to perfect use for better and faster realization of full credit recovery. The ultimate purpose of such borrower literacy levels-facilitating structures is to prevent Banks from focusing too much on relatively short term and more easily recoverable credit facilities and instead undertake the long term, risky and dynamic but more profitable credit facilities (Gilford, 2013).

**The Factor Structure of Loan Application Documents, Borrower Literacy levels and Loan Recovery**

At the center of the above variables is borrower literacy levels. Because of this, there is an inter-linkage between them. This shows that when taking credit, borrowers give considerable attention to loan application documents and make a decision guided by their literacy levels which eventually also plays a major role in determining a Bank's ability to recover an issued credit facility (Hanson, 2016). Generally, it has been widely accepted that approach, information flow, collateral, and recovery costs are the major concerned factors in Loan recovery. Hence, there are four major attributes that have been identified to measure Loan recovery and these have all been identified to be results of clear, precise loan application documents and reasonable literacy levels among borrowers (Wangui, 2010).There is quantitative evidence supporting the existence of a link between Loan application documents, borrower literacy levels and Loan recovery of any institution (Hanson, 2016). Wangui, (2010) provides a relationship between loan application documents, borrower literacy levels and Loan recovery where borrower literacy levels influences borrower's ability to process loan application documents noting that, loan recovery's success will most likely be determined by the way a particular borrower deals with or fills the loan application documents.

However, the evidence shows that there is a contribution of loan application documents on loan recovery, but the shortage of studies on loan application documents and borrower literacy levels in Burundi is observed. Thus, loan application documents and borrowers' literacy levels in Burundi banking sectors were not yet worked on. Also most of those scholars found the relationship among the study variables did not come up with statistical evidence. There is therefore a need to conduct such kind of studies in the context of Burundi and to evaluate the nature of relationship and effect existing between loan application documents, borrower literary levels on loan recovery among commercial Banks in Burundi. This study seeks to look at what can be done to improve loan recovery level. This study will contribute also to previous literature. In sum up, the literature review has showed that although empirical evidence appears to be limited.

## IV. METHODOLOGY

This study adopted a descriptive and cross-sectional research design while quantitative was used as research approach. The total population of 300 gave the sample size of 169 respondents computed using Krejcie & Moran (1970) formula. In this study, both probability and non-probability sampling techniques where by simple random sampling and purposive sampling were used to select customers and credit officers. Self-administered questionnaire was used to collect data from respondents. Statistical package for social sciences (SPSS) version 22.0 was used to process and summarize information got from the questionnaires. The data was analyzed for descriptive statistics, that is, frequencies, percentages, mean and standard deviation. Pearson's rank of determination and inferential statistics like correlations were used to illustrate the existence of the relationship between variables, while regression analysis was used to explain how the independent variables influenced the dependent variable.

## V. RESULTS AND DISCUSSION

This section presents the respondents view on whether loan application documents, borrower literacy levels affect loan recovery in Burundi banking sectors within Banque de Credit de Bujumbura and Interbank Burundi.

**Relationship between Study Variables**

**Table 1: Spearman's zero order correlation matrix**

| | 1 | 2 | 3 |
|---|---|---|---|
| **Loan application documents(1)** | 1.000 | | |
| **Borrower literacy levels(2)** | .493** | 1.000 | |
| **Loan recovery(3)** | **.499**** | **.461**** | **1.000** |

**. Correlation is significant at the .01 level (2-tailed).

***Source: Primary data computed***

**Loan Application Documents and Loan Recovery**

Table 1 shows a significant positive relationship between Loan application documents and Loan recovery($r = 0.499$, P-value $< 0.01$).This implied that properly drafted and interpreted Loan application documents greatly influence the level of loan recovery in the commercial Bank. The results in (Table1) are in line with (Miller, 2012; and Subari, 2013). Thus, conceptual arguments suggest that simpler loan application documents lead to easier loan recovery.

**Borrower Literacy Levels and the Loan Recovery**

Table 1 above indicates a significant positive relationship between Borrower literacy levels and Loan recovery ($r = 0.461$, P-value $< 0.01$). This implied that when a bank administers credit to literate customers with the ability to read, write, interpret and act on provided information, there are higher chances of the Bank recovering such credit. The results are in agreement with (Cooper, 2008; and Gilford, 2013). They affirmed that Borrower literacy levels provide a basis for knowledge, customer awareness and raises focus towards response to economic change. Loan recovery strategies, such as strategic borrower examination, which enables Banks to screen their customers and the way they issue out credit, are all guided by facilitate borrower literacy levels. Literacy levels empower borrowers to commit to long-term risky credit facilities fully aware of their obligations and responsibilities and align their aspirations with the acquired resources thereby putting all their effort in what they invest in which in turn raises chances of loan repayment, this is reflected on the side of the bank in terms of loan.

**The Factor Structure of Loan Application Documents and Borrower Literacy Levels on Loan Recovery**

Regression analysis was used to examine the level to which Loan application documents and Borrower literacy levels determine the Loan recovery

**Table 2. The regression model for Loan application documents and Borrower literacy levels and Loan recovery**

| Model | Un-standardized coefficients | | Standardized coefficients | | |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | T | Sig |
| **Constant** | 114.033 | 37.430 | | 1.246 | **.288** |
| **Loan application documents** | .440 | .444 | .309 | .991 | **.303** |
| **Borrower literacy levels** | .093 | .237 | .222 | .390 | **.359** |
| **R= 713; R Square =0.624, Adjusted R- square = 0.538, F= 1.501, Sig = 0.444** | | | | | |

***Source: Primary data computed, 2018***

The results in Table 2 above show (R= 0.713) in a combination of Loan application documents and Borrower literacy levels in assessing the level to which they can predict the level of Loan recovery. These variables explained 62.4% of the variance of Loan recovery (R Square =.624). The most influential predictor of Loan recovery was Loan application documents(β = .309, Sig.303). Borrower literacy levels is less likely to influence Loan recovery since it portrays a low value with a significance (β = .222, Sig. 359) compared to Loan application documents which shows a higher value in the model. This implied that a unit change in the quality of Loan application documents contributes to a change in the possibility of better Loan recovery while a unit change in Borrower literacy levels will also contribute to a chances of better Loan recovery as a whole. This is supported by Wangui (2010) and Hanson (2016) who showed that at the center of the above variables is borrower literacy levels and also affirmed that it has been widely accepted that approach, information flow, collateral, and recovery costs are the major concerned factors in Loan recovery. Hence, there are four major attributes that have been identified to measure Loan recovery and these have all been identified to be results of clear, precise loan application documents and reasonable literacy levels among borrowers.

**Table 3. Factor Analysis Results of Loan application documents**
**Table 4.8 Factor Loadings of Loan application documents**

| Variables | Language | Term simplicity | Clarity | Enforceability |
|---|---|---|---|---|
| **Language surpasses the written elements of a document** | **.918** | | | |
| **The Bank translates application documents to many language options** | **.903** | | | |
| **Language is key for one to understand loan application documents** | **.877** | | | |
| **I understand the terms used in loan application documents** | | **.882** | | |
| **Unwritten terms are negotiated on an unofficial basis** | | **.845** | | |
| **I find the terms in the KCB Bank's loan application documents fair** | | **.809** | | |
| **KCB's loan application documents are clear** | | | **.816** | |
| **Where documents are unclear, the Bank easily clarifies** | | | **.783** | |
| **Clarity of loan application documents guides me when applying** | | | **.756** | |
| **KCB Bank's loan application documents are enforceable** | | | | **.785** |
| **Unenforceable terms scare away borrowers** | | | | **.744** |
| **The Bank's legal unit guides on enforceability of terms** | | | | **.709** |
| **Eigen Value** | **1.922** | **1.256** | **0.956** | **0.444** |
| **Variance %** | **38.047** | **25.897** | **21.065** | **10.991** |
| **Cumulative** | **38.047** | **63.944** | **85.009** | **96** |

**Source: Primary data computed**

The results in table 3 above show the factor analysis results of Loan application documents, four factors were extracted and the first component (Language) explained Loan application documents better with 38%, the second component (Term simplicity) also explained more of Loan application documents with 25.9%, followed by Clarity with 21.1%and lastly Enforceability with 11%.

**Table 4. Factor Loadings of Borrower literacy levels**

| Variables | Reading/ Writing | Communication | Financial literacy | Social literacy |
|---|---|---|---|---|
| I can read and write | .895 | | | |
| I write my own loan applications | .882 | | | |
| The Bank's loans officers guide those who cannot read or write | .857 | | | |
| I can communicate with Bank officials | | .866 | | |
| There are clear communication channels in the Bank | | .850 | | |
| The Bank facilitates communication of all forms | | .842 | | |
| I handle my own finances | | | .840 | |
| My finances keep growing positively | | | .829 | |
| I know the implication and consequences of a loan | | | .804 | |
| Society accommodates my shortcomings | | | | .817 |
| I try to improve my attitude and behavior everyday | | | | .786 |
| Social literacy greatly influences literacy levels | | | | .746 |
| Eigen Value | 1.834 | 1.358 | 0.885 | 0.412 |
| Variance % | 39.886 | 26.926 | 13.141 | 9.047 |
| Cumulative | 39.886 | 66.812 | 79.953 | 89 |

**Source: Primary data computed**

The Table 4 shows the factor analysis results of Borrower literacy levels, four factors were extracted and the first component (Reading/ Writing) explained Borrower literacy levels better with 39.9%, the second component (Communication) also explained more of Borrower literacy levels with 26.9, followed by Financial literacy with 13.1% and lastly Social literacy with 9%.

**Table 5. Factor Loadings of Loan Recovery**

| Variables | Approach | Information flow | Collateral | Recovery costs |
|---|---|---|---|---|
| Effective loan recovery requires a clear standard approach | .882 | | | |
| KCB Bank has a known loan recovery approach | .856 | | | |
| The loan recovery approach employed by KCB Bank is effective | .841 | | | |
| KCB Bank securely keeps creditors' information | | .836 | | |
| Credit information is properly disseminated to loans officers | | .814 | | |
| Information adequacy facilitates faster loan recovery | | .781 | | |
| The collateral evaluation always exceeds the loan amount | | | .802 | |
| The Bank easily liquidates collateral for efficient loan recovery | | | .771 | |
| Creditors are involved in the process of liquidating collateral | | | .746 | |
| The costs of recovery are calculated basing on the loan amount | | | | .759 |
| The recovery costs burden is transferred to a creditor | | | | .724 |
| Creditors are part of the process of determining recovery costs | | | | .689 |
| Eigen Value | 1.962 | 1.434 | 1.079 | 0.865 |
| Variance % | 40.041 | 27.361 | 16.198 | 13.400 |
| Cumulative | 40.041 | 67.402 | 83.600 | 97 |

**Source: Primary data computed**

Table 5 above shows the factor analysis results of Loan recovery, four factors were extracted and the first component (Approach) explained Loan recovery better with 40%, the second component (Information flow) also explained more of Loan recovery with 27.4%, followed by Collateral with 16.2% and lastlyRecovery costs with 13.4%.

## VI. CONCLUSIONS

The study established that loan application documents and borrower literacy levels are determinant elements of the speed and efficiency of loan recovery. The bank follows the credit issuance guidelines when issuing credit but the challenge is that the existing guidelines were not drafted in a manner complex enough to fully protect both the credit applicant and the bank as the credit provider. The guidelines only stipulate elements like language and terms but 'language' does not necessarily cover all languages and at the same time terms are nothing if enforceability is not considered. The study confirmed that indeed Loan application documents as an independent variable is best measured basing on components like language, term simplicity, clarity and enforceability, Borrower literacy levels as a bridging variable with Reading/writing, Communication, Financial literacy and Social literacy and Loan recovery as a dependent variable with Approach, information flow, collateral and recovery costs.It was also evident that many of the borrowers had not reached a decent level of formal education but also felt shy to admit that they could not read or write.

However, they all showed comfort and confidence in transacting with those Banks and it was clear the bank had tried, to a reasonable degree, to solve their financial problems. The existing credit application documents issued by Banks were found to be standard but then many borrowers were also found to be illiterate thus they needed a deeper explanation of the terms, a careful and lenient loans officer and in some cases usage of sign language, all of which the bank fell short on. This fusion of factors was found to eventually have a direct impact on the bank's chances of realizing timely full loan recovery. If Loan recovery is to improve therefore, there is need for integration of the loan application document drafting mechanisms with Borrower literacy levels because proper alignment of these two won't only increase growth potential for the customers to understand the documents and work towards paying their loans on time but will also lead to more effective loan recovery.

## RECOMMENDATIONS

Basing on the study findings and the conclusions, the researcher derived the following recommendations:

(i) There is need to sensitize customers and explain loan application terms in depth before they decide to take the loan.

(ii) There should be a sign language assistant to help customers with reading and writing disabilities. Financial inclusion is a right to all but unfortunately, the physically challenged and people with reading and writing disabilities are often left out.

(iii) Loan terms should be revised to ensure that either party in a loan agreement has the ability to read and write, even if it means hiring an expert. The bank therefore needs to streamline the loan application process and require that an applicant can read and write or is represented by someone who can.

(iv) There should be moral persuasion and creation of awareness about the dangers of loan default to both the customers and the banking facility.

(v) All stakeholders should be involved in deciding which languages are to be used in loan application documents.

(vi) The bank should create avenues to interact with customers not only when they want loans but to understand them better and use this in credit assessment.

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