Adjusted R^2 Test

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df 1	df 2	Sig. F Change	
1	.719[a]	.634	.607	.73712	.712	22.418	2	60	.000	2.541

a. Predictors: (Constant), Number of loan application assessed, Inflation Rate,

b. Dependent Variable: Number of Loan defaulted

Interpretation

This test was used to explain the total variations in the dependent variable i.e. number of loan defaulted caused by variations in the independent variables i.e. number of loan application assessed and inflation rate. In the case of the regression output the adjusted $R^2 = 0.607$, implying that the model explains about 60.7% of the variations in the loan defaults in Iringa Municipality.

Also, since, R coefficient is 0.719 it means that there is a correlation of 71.9% between the independent variables (number of loan application assessed, inflation rate) and dependent variable (number of loan defaulted). This shows that the independent variables (number of loan application assessed and inflation rate) are significant predictors of the dependent variable (number of loan defaulted) in Iringa Municipality.

Discussion

The study was about to investigate determinants of loan defaults in selected banks, in Iringa Municipality. As a prelude to the analysis, two specific objectives were developed. The findings for each objective are presented below.

The Effects of Credit Assessments on Loan Defaults in Iringa Municipality

From the study it was revealed that credit assessment has a negative and significance effect on loan defaults since the p-value was less than 0.05. If credit assessments are increased to borrowers, the rate of loan defaults will fall. The higher rate of credit assessments discourages borrowers to defaults immediately; therefore, increasing the assessments of credits borrowers will decrease the rate of loan defaults in Iringa Municipality.

The findings in this study are similar to the study done by Kinyondo (2018) who investigated the "Key factors that influence loan repayment among group borrowers of microcredit institutions in Dar es salaam, Tanzania". The Logit model regression results suggest that experience, training time, credits assessment, lending policies and sanctions have positive and significant effects on loan repayment among group borrowers of MFIs. However, transaction costs, interest rates, and group size have negative and significant effects on loan repayment performance. Finally, the study concluded by suggesting policy options to improve loan repayment performance among borrowers of MFIs in Tanzania.

Therefore, findings of Kinyondo (2018) conform to the study hypothesized results as the findings show that there is a negative relationship between credit assessments and loan defaults and the p-value was less than 0.05.

The Effects of Inflation Rate on Loan Defaults in Iringa Municipality

The study revealed that inflation rate is positive significance related to the loan defaults since the p-value was less than 0.05. High inflation rate discourage borrowers to pay back their bank loans, especially when there is higher inflation in the country, which means that the value of money has been depreciated, borrowers suffers to pay back their bank loans hence increasing loan defaults. If inflation rate is low, this will encourage borrowers to pay back their bank loans hence it leads to get more access to higher bank loans in Iringa Municipality.

These findings are similar to the study done by Magali (2013b) studied on "Factors affecting credit default risks for rural Savings and Credits Cooperative Societies (SACCOS) in Tanzania". The study revealed that high rate of inflation and lack of credits assessments significant influence credits default risks for rural SACCOS in Tanzania.

Therefore, findings of Magali (2013b) conform to the study hypothesized results as the findings show that there is a positive relationship between inflation rate and loan defaults and the p-value was less than 0.05.

Summary of Hypothesis Testing

Findings of the study revealed that all two explanatory variables had significant effect on loan defaults as shown in Table 7 below.

Table 4: Summary of Hypothesis Testing

Hypothesis	Variable	Accept/reject	Significance
H_A	Number of loan application assessed	H_A is accepted	0.014
H_A	Inflation Rate	H_A is accepted	0.000

CONCLUSION

Credit assessments and inflation rate have found to have significance effect on loan defaults as indicated from the regression results. In such sense, loan defaults determined by credit assessments done to borrowers and the level of inflation rate in the country for borrowers to pay their debts. There will be a need for financial institutions to effectively conduct credit assessments to borrowers depending on their ability to pay and enhancing loan managements so as to increase the level awareness on how to use bank loan for profit generation and be able to pay their debts. Moreover, this would reduce the level of loan defaults in Iringa Municipality. Therefore, credit assessments and inflation rate are the good predators of loan defaults in Iringa Municipality.

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