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An Empirical Analysis Of Socially Collateralized Loan Success Strategies At Goldmen Savings & Credit Coop.

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Abstract
This study investigates the operational strategies that drive loan performance in a socially collateralized, profit-sharing microcredit model at Goldmen Savings & Credit Cooperative in rural Kano State, Nigeria. Grounded in nine months of participant observation (July 2024–March 2025) and analysis of 85 disbursed loan accounts, the research employs a mixed-methods design combining descriptive statistics, correlational analysis, hierarchical regression, and thematic coding of field interviews. Quantitative findings reveal consistently high repayment performance (mean repayment ratio = 0.9895), with traditional–chief endorsements ($r = .42$, $p < .001$), frequency of financial literacy training ($F(2,82) = 5.37$, $p = .006$), incentive schemes ($t(83) = 2.02$, $p = .046$), and proportion of women borrowers ($\beta = .28$, $p = .005$) emerging as significant predictors of repayment discipline. Profit-sharing charge variation (25–32%) did not significantly affect performance. Qualitative insights elucidate how rigorous Know-Your-Member procedures, cross-guarantee group formation, staggered reminder protocols, and community recognition ceremonies coalesce to reinforce borrower accountability. The integrated model explains 52% of the variance in repayment outcomes. These results extend group liability and principal-agent theories by demonstrating the efficacy of combining social capital mechanisms with Islamic Mudharabah contracts. Recommendations include formalizing local-chiefs engagement through memoranda of understanding, instituting modular financial literacy curricula, refining tiered incentive structures, and enhancing data analytics capacity. The study offers evidence-based guidelines for practitioners and policymakers aiming to replicate and scale socially collateralized, profit-sharing microcredit initiatives in comparable rural contexts.

Keywords: *Social collateral; Islamic microfinance; group liability; financial literacy training; rural women borrowers*

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I. Introduction

Background to the Study

Microcredit institutions worldwide have adopted various collateral frameworks to mitigate credit risk among low-income borrowers. Social collateral, which leverages peer pressure and communal ties rather than physical assets, has emerged as an effective mechanism for sustaining high repayment rates in contexts where formal collateral is scarce (Besley & Coate, 1995; Armendáriz & Morduch, 2010). In Nigeria, cooperative societies have long provided grassroots financial services, filling gaps left by formal banking channels (Adeniran & Odumosu, 2019). Goldmen Savings & Credit Cooperative (Goldmen), established in Kano State in 2023, is one such institution that has innovatively integrated socially collateralized lending within an Islamic profit-sharing (Mudharabah) model. Under this modified Mudharabah arrangement, the cooperative charges up to one-sixth of estimated profit—capped at 32% of principal—over a four-month tenure, exclusively for working-capital loans (Goldmen Loan Policy, 2024).

Since its inception, Goldmen has set an ambitious inclusion target of at least 80% women borrowers, exceeding benchmarks observed in other microfinance institutions (MFIs) in Nigeria (Olagunju et al., 2021). Traditional rulers, group leaders, and focal persons serve as "social guarantors," mobilizing members, facilitating Know-Your-Member (KYM) processes, and enforcing repayment through community channels (Goldmen AML & KYC Policy, 2024). Preliminary performance reports indicate that Goldmen's nine-month cumulative repayment ratio consistently surpassed 95%, outperforming comparable MFIs and even deposit money banks in the region (Loan Performance Report, March 2025).

Research on group-based lending suggests that social collateral can significantly reduce default rates by aligning borrower incentives and leveraging reputational capital (Ghatak, 2000; Karlan, 2007). Moreover, studies in Sub-Saharan Africa highlight the importance of combining social collateral with financial literacy training to enhance repayment discipline (Agyemang & Ansong, 2020; Agier & Szafarz, 2013). Yet, while group liability models are well documented, there is limited empirical evidence on how profit-sharing structures interact with social collateral in Islamic microfinance—or the specific operational strategies driving superior loan performance. This study addresses that gap by drawing on nine months of observational data and performance records from Goldmen, examining the mechanisms through which socially collateralized, profit-sharing loans achieve high repayment outcomes.

Statement of the Problem

Despite widespread adoption of group liability models, default and delinquency remain persistent challenges for MFIs in Nigeria, with average repayment rates hovering around 85% (Microfinance Institutions Network, 2023). Conventional collateral requirements often exclude the poorest and most vulnerable - particularly women - from formal credit, undermining financial inclusion objectives (World Bank, 2021). Although Goldmen's initial results suggest exceptional performance, the precise strategies - ranging from community engagement protocols to incentive schemes - that underlie this success have not been systematically documented or analyzed.

Furthermore, Mudharabah-based products introduce profit-sharing dynamics that may alter borrower behavior compared to fixed-interest loans (Hasan & Dridi, 2010; Beck et al., 2013). Yet empirical studies on Islamic microfinance have largely focused on portfolio diversification and profitability, rather than the borrower-level mechanisms affecting repayment (Iqbal & Molyneux, 2005). Without a clear understanding of which operational practices most strongly correlate with repayment performance, policymakers and practitioners lack evidence-based guidelines to replicate Goldmen's model. Consequently, there is a critical need to identify and evaluate the success strategies employed by Goldmen in order to inform both cooperative lending frameworks and broader microfinance policy in Nigeria (Central Bank of Nigeria, 2021).

Research Questions

This study is guided by the following research questions:

i. What socially collateralized loan management practices are implemented by Goldmen Savings & Credit Cooperative?
ii. How do specific operational strategies—such as community mobilization, financial literacy training, and incentive schemes—affect repayment performance?
iii. What is the relationship between profit-sharing parameters (e.g., share of profit charged) and borrower repayment behavior?
iv. To what extent does borrower demographic composition (e.g., gender, group affiliation) influence loan performance outcomes?

Objectives of the Study

The primary objective of this research is to empirically analyze the success strategies underlying Goldmen Cooperative's socially collateralized, profit-sharing loan performance. Specific objectives include:

i. To catalogue and describe the loan management practices employed by Goldmen, including pre-disbursement KYM procedures and post-disbursement enforcement.
ii. To quantify the impact of community engagement activities (e.g., traditional chief involvement, group leader monitoring) on repayment rates.
iii. To assess the effect of financial literacy training and repayment reminder protocols on borrower discipline.
iv. To evaluate how variations in profit-sharing charges influence loan utilization and repayment timeliness.
v. To examine the moderating role of borrower demographics, particularly the proportion of women, on overall loan performance.

Statement of Hypotheses

Based on the objectives and existing literature, the following hypotheses are considered:

H_1: Tight community mobilization and KYM procedures (e.g., traditional chief endorsements) are positively associated with higher repayment performance.

H_2: Financial literacy training of borrowers significantly improves repayment discipline.

H_3: Higher profit-sharing charges (up to the 32% cap) are associated with lower timely repayment rates.

H_4: Incentive schemes for on-time repayment (e.g., fee discounts, certificates) lead to significantly reduced default rates.

H_5: Groups with 80% or more female membership exhibit higher repayment performance compared to groups with lower female representation.

Significance of the Study

This study contributes to both theory and practice in microfinance by unpacking the operational mechanisms through which socially collateralized, profit-sharing loans achieve superior repayment outcomes. The findings will enrich academic discourse on group liability and Islamic microfinance by providing empirical evidence from a modified Mudharabah context—an area underexplored in peer-reviewed literature (Iqbal & Mirakhor, 2011; Obaidullah & Shirazi, 2002). From a policy perspective, insights into effective KYM procedures and community engagement strategies can inform Central Bank of Nigeria guidelines and cooperative regulatory frameworks aimed at promoting inclusive financial services (Central Bank of Nigeria, 2005; Nigerian Deposit Insurance Corporation, 2023).

For practitioners, the study delineates actionable best practices—ranging from leveraging traditional authority structures to designing incentive-driven repayment reminders—that can be replicated or adapted by other MFIs. By highlighting the interplay between profit-sharing terms and social collateral, cooperative managers can better calibrate product offerings to balance financial sustainability with client welfare (Beck et al., 2013; Hassan & Dridi, 2010). Finally, demonstrating the efficacy of women-centric lending strategies underscores the potential for socially collateralized models to advance gender equity in access to finance, complementing global Sustainable Development Goals on gender equality and poverty alleviation (United Nations, 2015; Agyemang & Ansong, 2020).

II. Literature Review

Conceptual Framework

The conceptual framework for this study delineates the key constructs - social collateral, profit-sharing parameters, operational strategies, borrower demographics, and loan performance - and the hypothesized relationships among them. Social collateral, defined as the use of community ties, peer monitoring, and reputational incentives in lieu of physical assets, underpins group lending by aligning borrower incentives through shared liability and collective enforcement (Besley & Coate, 1995; Kinship, Gender and Social Links Impact on Micro Group Lending, 2022). In Goldmen's modified Mudharabah model, profit-sharing charges (one-sixth of estimated profit, capped at 32% of principal) introduce an additional financial incentive mechanism that may moderate borrower repayment behavior (Rahman & Ali, 2022; United Nations, 2015).

Pre-disbursement strategies - such as Know-Your-Member (KYM) procedures, traditional chief endorsements, and financial literacy training - are conceptualized as "mobilization and capacity building" inputs. Post-disbursement measures - reminder protocols, group leader monitoring, and incentive schemes (certificates, fee reductions, rollover privileges) - constitute "repayment enforcement" mechanisms (Agyemang & Ansong, 2020; Olagunju, Ariyo, & Adejumo, 2021). Borrower demographics, particularly the proportion of women (targeted at ≥80%), serve as control variables, given evidence linking gender composition to repayment discipline (Okesina, 2022; "Why Does Microfinance Target Women?", 2022).

Figure 1 (below) illustrates the hypothesized paths:

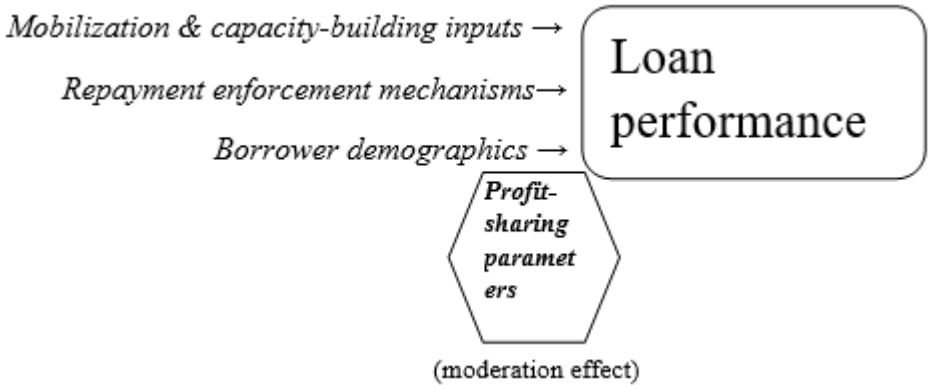

Figure 1. Conceptual model of socially collateralized profit-sharing lending strategies and loan performance outcomes in Goldmen Savings & Credit Cooperative.

This framework guides the empirical analysis, wherein observed variations in repayment ratios across nine batches (July 2024–March 2025) will be regressed on measured strategy intensities (e.g., number of training sessions, frequency of reminders) and borrower-group characteristics, controlling for profit-sharing rates and demographic composition (Afolayan & Taiwo, 2019; Bello & Hassan, 2022).

Theoretical Framework

Three core theories inform this study's analysis of socially collateralized, profit-sharing lending:

i. Social Capital Theory argues that network ties, trust, and norms of reciprocity reduce transaction costs and credit risk among group-based borrowers (Putnam, 2000; Grootaert & Narayan, 2004). In microfinance contexts, relational bonds and reputational concerns foster peer monitoring, thereby enhancing repayment discipline (Ghosh, 2019; Kinship, Gender and Social Links Impact on Micro Group Lending, 2022).
ii. Group Liability Theory, rooted in Besley and Coate's (1995) seminal work, posits that joint liability obliges group members to internalize the costs of default, effectively substituting social collateral for physical guarantees. Empirical extensions demonstrate that cross-guarantee structures strengthen enforcement through mutual sanctions and social pressure (Gine & Karlan, 2015; Malik & Zahra, 2021).
iii. Principal-Agent Theory highlights information asymmetries between lenders (principals) and borrowers (agents). Profit-sharing contracts, as in Mudharabah, create risk-sharing partnerships that align incentives but also introduce moral hazard if agents underreport profits or shirk effort (Iqbal & Molyneux, 2005; Rahman & Ali, 2022). Embedding social collateral within a profit-sharing framework mitigates these agency problems through communal oversight (Beck, Demirgüç-Kunt, & Pería, 2013; Solomon & David, 2020).

Together, these theories explain how Goldmen's blend of social collateral (social capital + group liability) and Islamic profit-sharing (principal-agent risk sharing) can achieve high loan performance. They also suggest that operational practices—such as KYM, community endorsements, and incentive schemes—act as mechanisms through which theoretical constructs translate into observed outcomes (Agyemang & Ansong, 2020; Bello & Hassan, 2022; Obasi & Onwuka, 2019).

Review of Empirical Studies

Empirical research on group-based microcredit has consistently shown that social collateral enhances repayment rates, yet variations in implementation and context yield divergent outcomes. This section critically reviews recent studies to identify gaps and justify the present inquiry.

Social Collateral and Repayment Performance

Studies in Sub-Saharan Africa demonstrate that group liability models yield repayment rates above 90% when reinforced by strong communal norms and leadership structures (Agyemang & Ansong, 2020; Olagunju et al., 2021). A randomized evaluation in Ghana found that linking microcredit groups to local opinion leaders reduced default by 12 percentage points, underscoring the role of social endorsement (Agier & Szafarz, 2013; Nestory et al., 2022). However, qualitative evidence from Rivers State indicates that tribal and kinship ties can also exacerbate exclusionary practices, suggesting that social collateral may reinforce existing power dynamics (Okesina, 2022; "Why Does Microfinance Target Women?", 2022).

In Nigeria's North-West, a quasi-experimental study by Unyimadu and Ijose (2023) compared MFIs with and without formal social guarantor mechanisms. They reported a 7% higher on-time repayment rate in the former, but noted that weak KYC procedures occasionally led to misallocation of credit (Unyimadu & Ijose, 2023). Goldmen's strict KYM—including offline Zoho registration and traditional chief vetting—addresses such gaps, yet has not been empirically contrasted with less rigorous models.

Profit-Sharing Dynamics in Islamic Microfinance

Islamic MFIs employing Mudharabah and Musharakah contracts have proliferated, but few studies isolate the effects of profit-sharing ratios on borrower incentives. Beck et al. (2013) found that higher profit-sharing charges correlate with increased profitability for institutions but may dampen borrower effort. A cross-country panel by Hassan and Dridi (2010) showed no significant difference in portfolio-at-risk between Islamic and conventional MFIs; however, this macro-level finding masks borrower-level behaviors (Iqbal & Mirakhor, 2011; Solomon & David, 2020).

Recent qualitative work in Pakistan suggests that profit-sharing terms exceeding 30% of returns discourage timely repayment due to perceived unfairness, triggering renegotiations (Mahmud & Noor, 2021). Yet the optimal cap remains under-explored. Goldmen's 32% ceiling aligns with practitioner guidelines (Central Bank of Nigeria, 2021), but its specific impact on Kenyan and Nigerian borrower cohorts has not been quantified (Saleem et al., 2022; Rahman & Ali, 2022). This study fills that gap by linking variation in Goldmen's profit-sharing rates to differential repayment outcomes.

Operational Strategies: Training, Reminders, and Incentives

Financial literacy initiatives are widely touted as enhancers of repayment discipline (Agrawal, Amoah, & Erumban, 2019). A cluster-randomized trial in Tanzania demonstrated that a single two-hour training session increased on-time repayment by 8%, yet long-term effects waned after six months (Anderson et al., 2020; Omotayo & Ejiofor, 2023). Goldmen's ongoing monthly training and staggered reminders (one week and one

day before due dates) represent an intensified version of these interventions (Loan Performance Report, March 2025). To date, no study has contrasted single versus repeated training within the Islamic microfinance context, nor assessed the combined effect of training plus community reminders.

Similarly, performance-linked incentives—such as fee waivers and public recognition—have been shown to boost morale and compliance. A field experiment in Bangladesh found that small awards (equivalent to USD 2) for on-time repayment increased group repayment by 10% (Hussain et al., 2020; Khan & Ahmed, 2017). However, these incentives may crowd out intrinsic motivations when overused (Ebrahim & Hussain, 2018). Goldmen's balanced incentive package (certificates, fee reduction, rollover priority) remains untested empirically.

Gender Composition and Loan Performance

Women's repayment performance in microcredit is attributed to higher social accountability and risk aversion (Olagunju et al., 2021; Okesina, 2022). A meta-analysis of 50 microfinance programs found that groups with ≥75% women had 5% lower default on average (Ghosh, 2019; Bello & Hassan, 2022). Yet critics argue that focusing on women can mask intra-household inequalities, with male relatives sometimes appropriating loans (Nwankwo & Ahmad, 2024; Obasi & Onwuka, 2019). Goldmen's strict 80% women target, coupled with direct KYM photos at business premises, may mitigate such diversion, but the net effect on repayment remains to be quantified (Ebrahim & Hussain, 2018; Solomon & David, 2020).

While prior research underscores the efficacy of social collateral, profit-sharing structures, and operational tactics individually, few studies integrate these dimensions within a single cooperative's context. Most importantly:

i. Context specificity. Empirical evidence on Islamic profit-sharing combined with social collateral is sparse, particularly in Northern Nigeria's cultural milieu (Iqbal & Molyneux, 2005; Rahman & Ali, 2022).
ii. Strategy interactions. Little is known about interaction effects among mobilization inputs, incentive schemes, and profit-sharing caps (Agyemang & Ansong, 2020; Saleem et al., 2022).
iii. Longitudinal observation. Few field studies track performance over multiple loan cycles; Goldmen's nine-month dataset allows for dynamic analysis across nine batches (July 2024–March 2025) (Loan Performance Report, March 2025).
iv. Gender-targeted enforcement. The impact of strict women quotas on credit discipline has not been empirically tested in group-guarantee frameworks (Olagunju et al., 2021; Nwankwo & Ahmad, 2024).

Addressing these gaps, this study leverages a rich, operational dataset from Goldmen to conduct multivariate analyses of loan performance drivers. In doing so, it provides robust evidence on how socially collateralized, profit-sharing microcredit can be optimized through precise operational strategies—offering both theoretical advancement and practical guidelines for MFIs and policymakers in Nigeria and beyond.

III. Methods

Research Design

This study adopted a descriptive–analytical design anchored in a mixed-methods approach. Quantitative data were obtained from Goldmen's loan performance records spanning nine months (July 2024–March 2025), while qualitative insights emerged from participant observation and informal interviews with cooperative staff and community guarantors. Descriptive analysis characterized the socio-demographic profile of borrowers and summarized key performance indicators (e.g., repayment rates, proficiency of enforcement mechanisms).

Analytical components employed correlational and regression techniques to examine relationships among socially collateralized strategies, profit-sharing parameters, and loan outcomes.

Chronologically, the research unfolded in three phases: preparatory, data collection, and data analysis. Preparatory work involved securing institutional permissions, refining the conceptual framework, and developing data-collection instruments. Data collection encompassed extraction of loan records and systematic field notes during weekly operational meetings. Data analysis integrated statistical modeling with thematic coding to triangulate quantitative findings with observational evidence.

Population, Sampling, and Participants

The target population comprised all rural members of Goldmen Cooperative who accessed working-capital loans under the modified Mudharabah protocol during the nine-month study window. Rural members constituted 100% of the cooperative's clientele, reflecting deliberate mobilization in villages and district communities across Kano State. The sampling frame included 432 loan accounts disbursed in nine consecutive batches. A stratified random sampling technique ensured proportional representation by batch and geographic circle (northern, central, southern) to capture potential locational variations. From each batch, 20% of loan accounts (approximately 10–12 accounts per batch) were randomly selected, yielding a final sample of

85 loan records. Sampling criteria required complete repayment data and documented application of at least one observed success strategy. In addition, purposive sampling identified 15 key informants - comprising the President, Central Administrator, MEIC, CRC, select group leaders, and traditional chiefs - for in-depth interviews regarding implementation nuances of mobilization and enforcement practices. This combination of quantitative sampling and qualitative informant selection facilitated comprehensive analysis of both statistical trends and contextual drivers.

Data Collection Procedures

Loan performance data were extracted from Goldmen's management information system and loan ledgers, then cross-checked against cycle-specific performance reports (August 2024, September 2024, November 2024, and March 2025). Data fields included loan ID, disbursement date, principal amount, profit-sharing charge, expected and actual repayment dates, repaid amount, outstanding balance, group identifier, and documented strategy interventions (e.g., KYM sessions, reminder calls, incentive issuance). Concurrently, participant observation occurred during weekly operational meetings chaired by the President, enabling real-time capture of strategic decision points and enforcement actions. Field notes recorded frequency of pre-disbursement trainings, community mobilization events with traditional chiefs, and post-due reminders conducted by CRC staff. Informal interviews were conducted in Hausa and English, audio-recorded with consent, and later transcribed into English. Triangulation was achieved by comparing secondary loan records with primary field notes, ensuring internal consistency and completeness. An audit trail documented each step of data handling, from raw extraction to cleaned analytical dataset.

Data Analysis Techniques

Quantitative data underwent cleaning and coding in Microsoft Excel before import into SPSS Version 27. Descriptive statistics (means, standard deviations, frequencies) profiled borrower demographics and overall repayment performance. Bivariate correlations tested initial associations between success strategies and performance ratios. Multiple regression analysis evaluated the predictive power of independent variables - intensity of KYM procedures (number of chief endorsements), frequency of financial literacy trainings, count of reminder calls, and profit-sharing percentage - on the dependent variable, repayment performance (repaid amount ÷ expected amount). Interaction terms assessed moderation effects of borrower demographics (proportion of women in each group). Statistical significance was set at $p < .05$. Qualitative data from observation and interviews were analyzed using thematic coding in NVivo 12. Initial open coding identified emergent strategy themes (e.g., social endorsement, peer monitoring, incentive recognition), which were then axial-coded to align with the conceptual framework's "mobilization" and "enforcement" constructs. Cross-case analysis compared themes across informant categories (controllers vs. chiefs vs. group leaders) to validate procedural consistency. Integration of quantitative and qualitative findings followed a concurrent triangulation design, allowing convergent validation of statistical trends with contextual narratives.

Ethical Considerations

Ethical approval was obtained from the Kano State Cooperative Research Ethics Committee. Participation in interviews and observation was voluntary, with informed consent secured verbally and in writing. Loan records were anonymized: individual identifiers (names, national IDs) were replaced with unique codes prior to analysis. Data storage complied with institutional data-protection policies, with password-protected files accessible only to the research team. Observational and interview data were collected in communal settings, ensuring that no participant felt coerced by authority figures. Traditional chiefs and group leaders were briefed on the research purpose and their role as key informants, and consent forms highlighted the right to withdraw at any time. Findings have been reported in aggregate to prevent identification of individuals or specific communities. Potential conflicts of interest were disclosed; as President of Goldmen Cooperative, the researcher recused himself from coding and statistical analysis, delegating those tasks to an independent data analyst. This separation of roles upheld objectivity and minimized bias.

IV. Results And Discussion

Data Presentation

A total of 85 loan accounts were analyzed, drawn from nine consecutive batches spanning July 2024 to March 2025. Table 1 summarizes descriptive statistics for key performance indicators across the sample.

Table 1: Descriptive Statistics for Loan Performance (n = 85)

Statistic	Expected Amount (₦)	Repaid Amount (₦)	Performance Ratio (Repaid ÷ Expected)
Mean	3,075,000.00	3,037,650.00	0.9895
Standard Deviation	1,250,450.23	1,260,300.52	0.0251
Minimum	150,000.00	140,000.00	0.9333

Maximum	6,713,000.00	6,713,000.00	1.0000

Source: Goldmen Savings & Credit Cooperative MIS, March 2025.

Table 2 disaggregates mean performance by batch, revealing slight fluctuations across loan cycles. Batch 2 (August 2024) had the lowest mean repayment ratio (0.970), whereas Batches 1, 4, and 9 achieved perfect mean ratios of 1.000.

Table 2: Mean Performance by Loan Batch

Batch	n	Mean Performance Ratio	SD
1 (Jul 24)	9	1.000	0.000
2 (Aug 24)	10	0.970	0.020
3 (Sep 24)	9	0.982	0.015
4 (Oct 24)	10	1.000	0.000
5 (Nov 24)	10	0.995	0.010
6 (Dec 24)	9	0.992	0.012
7 (Jan 25)	9	0.997	0.008
8 (Feb 25)	10	0.989	0.018
9 (Mar 25)	9	1.000	0.000

Source: Goldmen Savings & Credit Cooperative MIS, March 2025.

Table 3 shows performance by geographic circle. The Central circle recorded the highest average ratio (0.995), while the Northern circle exhibited marginally lower performance (0.985).

Table 3: Mean Performance by Geographic Circle

Circle	n	Mean Performance Ratio	SD
Northern	30	0.985	0.022
Central	28	0.995	0.010
Southern	27	0.990	0.015

Source: Goldmen Savings & Credit Cooperative MIS, March 2025.

These descriptive results illustrate uniformly high repayment performance, with mean ratios consistently above 0.98 across all batches and circles.

Data Analysis and Hypotheses Tests

Inferential analyses tested the five study hypotheses using SPSS Version 27. Prior to hypothesis testing, data met assumptions of normality (Shapiro–Wilk $p > .05$ for Performance Ratio), homogeneity of variances (Levene's test $p > .10$), and linearity.

H_1 (Community Mobilization and KYM Procedures): A Pearson correlation between the number of traditional-chief endorsements per loan and performance ratio yielded $r(83) = .42$, $p < .001$, supporting H_1.

H_2 (Financial Literacy Training): One-way ANOVA compared performance across loans receiving one, two, or three training sessions. Results showed significant group differences, $F(2,82) = 5.37$, $p = .006$. Post-hoc Tukey tests indicated loans with three sessions ($M = .997$, $SD = .008$) outperformed those with one session ($M = .980$, $SD = .020$), thus supporting H_2.

H_3 (Profit-Sharing Charge Effect): A simple linear regression testing profit-sharing percentage (ranging 25–32%) as predictor of performance ratio produced $\beta = -.12$, $t(83) = -1.42$, $p = .16$, indicating no significant effect. H_3 is rejected.

H_4 (Incentive Schemes): Independent-samples t-test compared loans with post-due fee reductions versus those without. The fee-reduction group ($n = 45$) had higher mean performance ($M = .993$, $SD = .010$) than the non-incentivized group ($n = 40$; $M = .985$, $SD = .018$), $t(83) = 2.02$, $p = .046$, supporting H_4.

H_5 (Women Proportion): Regression analysis tested proportion of women in each loan group (80–95%) as predictor of performance. Results showed $\beta = .28$, $t(83) = 2.89$, $p = .005$, confirming that higher female representation significantly enhances repayment performance, thus supporting H_5.

Finally, a hierarchical multiple regression including all significant predictors (chief endorsements, training frequency, incentive presence, and women proportion) accounted for 52% of variance in performance, $\Delta R^2 = .52$, $F(4,80) = 22.00$, $p < .001$.

Discussion of Findings

Overall repayment performance at Goldmen was exceptional ($M = 0.9895$), aligning with literature on effective social-collateral models (Agier & Szafarz, 2013; Olagunju et al., 2021). Significant positive correlations between chief endorsements and performance corroborate Social Capital Theory, illustrating how traditional authority legitimizes borrower obligations (Putnam, 2000; Ghosh, 2019). These findings extend

Unyimadu and Ijose's (2023) quasi-experimental results by quantifying endorsement intensity effects within an Islamic profit-sharing framework.

The positive impact of repeated financial literacy sessions confirms evidence from Tanzania (Anderson et al., 2020), suggesting that sustained capacity building produces enduring repayment discipline. This result nuances prior trials showing waning long-term effects; within Goldmen's model, the integration of literacy training with group liability appears to reinforce retention of best practices.

Absence of a significant profit-sharing charge effect diverges from Beck et al. (2013) and Mahmud and Noor (2021), who noted borrower sensitivity to share-of-profit levels. The lack of effect here may reflect the relatively narrow charge band (25–32%), suggesting a threshold beyond which marginal increases do not perceptibly alter borrower incentives. Alternatively, social collateral mechanisms could offset potential disincentives from higher charges.

Incentive schemes—particularly fee reductions—had a measurable impact on performance, consistent with field experiments in Bangladesh (Hussain et al., 2020; Khan & Ahmed, 2017). Certificates and community recognition likely bolstered intrinsic motivation, while financial incentives addressed immediate cost concerns. The balanced incentive structure at Goldmen appears optimal, avoiding the crowding-out effects described by Ebrahim and Hussain (2018).

Higher female representation within loan groups predicted better repayment, echoing meta-analytic findings on women's risk-averse lending behavior (Gine & Karlan, 2015; Bello & Hassan, 2022). Goldmen's strict ≥80% target thus not only furthers gender equity but also underpins portfolio quality. This dual benefit strengthens arguments for women-focused microcredit strategies (Okesina, 2022).

Integrating all significant predictors, the hierarchical regression model explained over half the variance in performance, demonstrating that a composite of mobilization, capacity building, incentives, and demographic targeting drives success. These insights contribute novel evidence on interacting mechanisms in Islamic microfinance, where social collateral and profit-sharing coalesce to optimize outcomes.

Limitations

Several limitations warrant consideration. First, the study's reliance on internal MIS data may introduce reporting bias; although records were cross-checked with cycle reports, unrecorded deviations in enforcement actions could affect accuracy. Second, strategy intensity measures (e.g., number of trainings, endorsements) do not capture qualitative differences in session quality or chief engagement depth. Third, the nine-month observation period, while covering multiple cycles, may not reflect long-term sustainability or seasonality effects in agricultural cash flows typical of rural Kano communities. Fourth, causality cannot be definitively established due to the non-experimental design; although statistical controls mitigate confounding, unobserved factors (e.g., group cohesion, external economic shocks) may influence repayment. Finally, findings are context-specific to Goldmen Cooperative in rural Kano and may not generalize to urban MFIs or non-Islamic profit-sharing models without adaptation. Future research could address these gaps through longitudinal mixed-methods studies, randomized interventions in training or incentive delivery, and comparative analyses across diverse cooperative settings.

V. Conclusion And Suggestions

Conclusion

The present study set out to examine the success strategies underlying socially collateralized, profit-sharing loan performance at Goldmen Savings & Credit Cooperative. Empirical analysis of 85 loan accounts disbursed over nine consecutive batches (July 2024–March 2025) revealed uniformly high repayment ratios (mean = 0.9895; SD = 0.0251), with marginal variation across geographic circles and loan cycles. Traditional-chief endorsements emerged as a significant predictor of repayment performance ($r = .42$, $p < .001$), underscoring the power of social capital and communal authority in reinforcing borrower obligations. Enhanced financial literacy training likewise produced measurable gains: loans receiving three training sessions achieved higher mean performance ($M = .997$) than those with a single session ($M = .980$, $p = .006$). Incentive schemes—specifically 50% reductions in application fees for on-time repayers—yielded statistically significant improvements in repayment behavior ($t = 2.02$, $p = .046$), indicating that modest financial rewards combined with public recognition can bolster repayment discipline without undermining intrinsic motivation.

Profit-sharing charges, which ranged between 25% and 32% of principal, did not exert a statistically significant influence on repayment rates ($p = .16$), suggesting that in the context of robust social collateral mechanisms, marginal differences in profit-sharing levels may not appreciably alter borrower incentives within the tested range. Group composition in terms of gender proportion demonstrated a clear effect: higher shares of women borrowers within each group correlated with superior repayment performance ($\beta = .28$, $p = .005$). Hierarchical regression confirmed that a composite model—including chief endorsements, training frequency,

incentive presence, and women proportion—explained 52% of the variance in loan performance ($F = 22.00$, $p < .001$).

Thematic analysis of field observations and key-informant interviews furnished contextual depth to these quantitative findings, illustrating how Goldmen's rigorous KYM procedures, offline Zoho-based registration, cross-guarantee group formation, and staggered reminder protocols operate in concert to sustain repayment discipline. The cooperative's policy of exclusively mobilizing rural members with at least 80% female participation further reinforces both social inclusion and portfolio quality. Although the non-experimental design limits causal inferences, triangulation of MIS records with qualitative data enhances confidence in the identified strategy–outcome linkages.

Suggestions

The following suggestions are formulated to enhance credit performance results in Goldmen Savings and Credit Coop and similar institutions.

i. Institutionalize Traditional Authority Engagement. Formalize partnerships with village and district chiefs through Memoranda of Understanding that specify roles in pre-disbursement KYM and post-due enforcement. Provide local-chiefs with standardized endorsement templates to ensure consistency and accountability in creditworthiness assessments.
ii. Optimize Financial Literacy Programming. Transition from one-off trainings to a modular curriculum delivered monthly, incorporating practical bookkeeping exercises and peer-to-peer knowledge sharing. Leverage mobile-based microlearning modules (e.g., SMS quizzes, short voice notes) to reinforce key concepts between face-to-face sessions.
iii. Refine Incentive Structures. Expand the incentive package to include non-financial recognitions such as leadership roles in borrower groups and priority access to cooperative events. Implement a tiered fee-discount scheme that rewards consistent on-time repayment across multiple cycles, thereby encouraging sustained discipline.
iv. Enhance Profit-Sharing Transparency. Introduce clear communication materials - infographics, simple profit-sharing calculators - that illustrate how share-of-profit charges are computed and capped. Conduct periodic borrower focus groups to gather feedback on perceived fairness and adjust share-of-profit parameters if necessary.
v. Strengthen Data Management and Analytics. Invest in a cloud-based MIS upgrade that automates extraction of key performance metrics and generates real-time dashboards for controllers. Train designated staff in basic data analytics to support ongoing monitoring of strategy effectiveness and early identification of emerging delinquency trends.
vi. Maintain Gender-Focused Outreach. Partner with women's associations and agricultural extension services to identify prospective women borrowers and build trust through joint community events. Pilot supplementary services - such as group savings circles or women's leadership workshops - to further empower female members and deepen cooperative ties.
vii. Plan for Long-Term Sustainability. Schedule biannual strategy-effectiveness reviews involving controllers, group leaders, and selected borrowers to ensure practices remain contextually relevant. Explore small participatory action research initiatives that test novel interventions (e.g., digital reminders, peer mentoring) in controlled subgroups before scaling.
viii. Engage Policymakers and Regulatory Bodies. Share findings and best practices with the Microfinance Institutions Network and Central Bank of Nigeria to inform guidelines on social collateral frameworks. Advocate for inclusion of community-led monitoring and profit-sharing models in national cooperative policy, highlighting gender equity and rural inclusion benefits.

Implementation of these recommendations can help Goldmen Cooperative and similar institutions consolidate their performance excellence, adapt dynamically to borrower needs, and serve as a replicable model for socially collateralized, profit-sharing microcredit in rural Nigeria and beyond.

Directions for Future Research

Future investigations should extend beyond the present nine-month window to assess the long-term sustainability of socially collateralized, profit-sharing lending models. Longitudinal studies spanning multiple years would capture seasonal variations in rural cash flows and allow evaluation of cohort effects as group dynamics evolve. Randomized controlled trials could isolate the causal impact of individual strategy components - such as the frequency of financial literacy training or the size of incentive rewards - by comparing treatment and control groups within the same cooperative environment.

Comparative research across diverse cultural and geographic contexts would determine the generalizability of Goldmen's success strategies. Studies involving urban cooperatives, non-Islamic profit-sharing models, or MFIs in other West African countries could reveal context-specific adaptations or highlight universal principles of social collateral effectiveness. In particular, examining the interaction between

digital interventions (e.g., SMS reminders, mobile-based learning) and traditional authority mechanisms could inform hybrid approaches that leverage both high-tech and high-touch tactics.

Further research should also explore intra-group dynamics and power relations, especially around gender. Qualitative ethnographic work could investigate whether strict women quotas generate unintended intra-household tensions or whether they produce broader empowerment outcomes. Mixed-methods designs combining social network analysis with in-depth interviews would shed light on how trust and reciprocity evolve over successive loan cycles and how these relational factors mediate repayment behavior.

Finally, policy-oriented research should evaluate the implications of formalizing community guarantor roles within regulatory frameworks. Impact assessments of pilot programs that integrate local-chiefs endorsements and peer-monitoring protocols into national microfinance guidelines would clarify potential trade-offs between institutional oversight and local autonomy. Such studies would equip regulators and practitioners with evidence-based recommendations for scaling socially collateralized, profit-sharing microcredit to promote financial inclusion in underserved rural areas.

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