

**DETERMINANTS OF MICROFINANCE LOAN REPAYMENT
PERFORMANCE: CASE OF OMO MICROFINANCE (OMFI) IN
KAFFA ZONE**

**A THESIS SUBMITTED TO DEPARTMENT OF ACCOUNTING AND
FINANCE AS A PARTIAL FULFILMENT OF THE REQUIRMENTS FOR
MSC DEGREE IN ACCOUNTING AND FINANCE**

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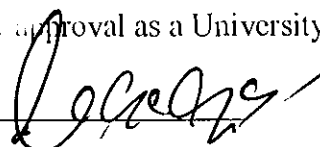
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MSC REGULAR PROGRAM

***Determinants of Microfinance Loan Repayment Performance, Case of
OMO Micro Finance (OMF) in Kaffa Zone***

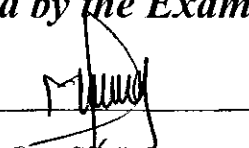
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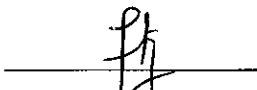


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Abstract

This study was conducted with the aim of analyzing the factors that influence microfinance loan repayment investigating determinants of loan repayment performance of borrowers (beneficiaries) and identify the major factors that face OMFI, by using primary data collected through structured questionnaire.

The survey includes a total of 339 respondents, using stratified sampling the population was divided into Urban and rural based on settlement areas. The primary data has been collected by interviewing 167 urban borrowers and 172 rural borrowers' respondent using a structured questionnaire with the help of trained enumerators. The questionnaire includes both open- and closed- ended questions. In addition, secondary data were gathered from OMFI head office, OMFI branch office and other related relevant publications.

A binary logit model was used to analyze the socio-economic factors that influence loan repayment. In related with the regression analysis Multi co- linearity t and various model fitness tests were made for the assumption of Loan repayment by SPSS 20.0 statistical packages. Furthermore, a chi-square(X^2) analysis was employed to compare the defaulters and non-defaulters group.

A total of twelve explanatory variables were included in the regression. The results of the descriptive statistics and the binary logistic model show that sex, age, education, source of income before loan, method of lending ,loan size ,suitability of installment period and timeliness of loan release were important in influencing loan repayment performance of the borrower. However, family size, distance of borrowers from institution, residence of borrowers, and frequency of collection were found to be insignificant in model.

KEY WORDS: *Microfinance, Loan Repayment, Defaulters and Non Defaulters.*

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List of Abbreviations

ADB:	Asian Development Bank
ADCSI:	Addis Credit and Saving Institution
AEMFI:	Association of Ethiopian Micro – Finance Institutions
AfDB:	Africa Development Bank
CGAP:	Consultative Group to Assist the Poorest
CIDA:	Canadian International Development Agency
CSA:	Central Statistical Agency
EXC:	Ethiopian Commodity Exchange
GTP:	Growth and Transformation Plan
LR	Loan Repayment
MC:	Micro Credit
MCIs:	Microcredit Institutions
MF:	Microfinance
MFI:	Micro – Finance Institutions
n.d :	No Date
NGO:	Non – Governmental Organization
OMF:	Omo Microfinance
OMFIs:	Omo Micro Finance Institutions Share Company
OMFOPM:	Omo Micro Finance Operational Manual
SNNPRS:	Southern Nations and Nationalities Peoples’ Regional State
SPSS:	Statistical package Software for Social Science

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

The eradication of poverty continues to be a top political agenda in most developing countries. In the 1970s the biggest developments in microfinance occurred for the poor people. The micro finance uprising has come a long way since Muhammad Yunus first providing financing to the poor in Bangladesh.

Sapy (2010), states that 10,000 Microfinance Institutions (MFIs) are currently serving over 150,000 Clients (90% in developing countries) throughout the world. There is still need to reach and serve an estimated 1.2 billion individuals living in extreme poverty (people living on less than U.S. \$1 per day¹). So, it is very important to develop new strategies that would allow viable financial services to reach all potential clients while ensuring profitability, and thus sustainability, of the financial institutions engaged in microfinance. According to CGAP report, sustainability of microfinance organizations essential to reach a large number of the poor, and as a result, achieve an impact of significant scale (CGAP, 2006).

Microcredit institutions (MCIs) are institutions that provide small loans to low income people either individually or as a group (Candice, 2000). Under the individual lending methodology, loans are granted directly to individuals or business entities. The effective repayment history of the individual normally determines accessibility to future larger loans. The group lending methodology involves providing loans to individuals within a group. The group members co-guarantee one another for repayment of the loan to the MFIs, and so providing a form of social collateral. In case of one member defaulting; the whole group is liable for repayment of the outstanding loan balance, otherwise they lose future access to loans².

¹ www.kbyutv.org/smallfortunes/overview/ accessed November 10, 2013.

² www.fieldus.org accessed November 15, 2013

Ghatak and Guinnane (1999) review the benefits of group-based lending in different manner. Firstly, group-based lending techniques mitigate the information irregularity problems of determining the risk of default by borrowers because groups are normally formed by individual who are likely to know each other. Secondly, the loans are likely to be effectively invested since members of the group tend to monitor each other constantly. Finally, the members provide a form of insurance to each other within the group for repayment of the MFI loan in case of a genuine reason of default. Hence the concept of social capital by implication, the rest of the members cover up the installment repayment for the defaulting member.

The majority of microfinance institutions provide collateral-free small loans to low income households. These loans are generally expected to be used for self-employment and income-generating activities (Kono and Takahashi, 2010, p16). Microfinance can be a critical element of an effective poverty reduction strategy. Well organized access and efficient provision of saving, credit and insurance facilities in particular can enable the poor to smooth their consumption, manage their risks better, build their assets gradually, develop their microenterprise, and enhance their income earning capacity. Thus, microfinance helps to promote economic growth and development (ADB, 2000).

In developing countries, like Ethiopia, financial resource is important input for continuous development. Most of peoples living in third world are under poverty line. They need wide range financial services for consumption, running their business and building assets. Due to lack of collateral, poor people in most cases have no credit access from Banks. Microfinance offers financial services such as loans, savings and micro insurance to the poor people either in individual or in a group basis to those people.

The achievement of microfinance activities in Ethiopia is mainly affected by the income of clients, which directly depends on the effectiveness of the small business of borrowers who live in urban areas; also it depends on crop harvest and the high risk due to drought for rural areas. The fluctuations of product prices, which are difficult to predict, also affect the performance of MFI (Wolday, 2000). Current, most of the microfinance institutions suffer from credit risk, which leads to default. Hence, these studies try to address some determinants of loan repayment that affect both borrowers and lender performance.

1.2. Justification of the Study

The rationale of the study is aimed at shading some light as a contribution to address the problem. This study covered determinants of microfinance loan repayment performance case of OMFI and socio-demographic factors that are associated with loan repayment. Studies on loan repayment are not a new research area. In fact, various researches are conducted in loan repayment performance in different time, but the results of findings are still debatable among different researchers. The finding shows there is inconsistency of result regarding the determinant factor variables. Some variables such as sex, education level, method of lending and loan size have debatable results.

For instance; Bhatta and Tang (2002) and Solomon and Addisu (2013), found sex has significant impact on repayment rate, whereas Godquin (2004) and Jemale (2003) oppose this result. Regarding loan size, Zeller and Sharm(1996) found as LSZ have positive impact on LR. Whereas, Jemale (2003) found as loan size have significant and negative influence on LR.

Therefore, this study was conducted to fill the above mentioned gaps by including additional variables on former researchers on determinants of loan repayment. Besides, as to the researcher's knowledge it appears that no study has been conducted on microfinance loan repayment performance in Kaffa zone on urban and rural borrowers.

Finally, the findings will be expected to fill literature and knowledge gap observed in the area. Besides, the findings of this study will help to visualize the factors affect loan repayment of borrowers and lenders in study area.

1.3. Statement of the Problem

Poverty alleviation has been one of the key development challenges over the decades in most developing economies. One of the identified key constraints faced by the poor is lack of access to formal credit. Microfinance institutions were established to fill the gap of scarce finance resources by providing funds to the poor and lower income group to alleviating poverty and enhance their business activities. Different approaches have been employed in alleviating poverty; the one is provision of credit for targeted poor. Credit is



considered to be an essential input to increase productivity (Nawai and Shariff, 2010). Provision of credit to the poor take advantage of economic opportunities to increase their level of output, hence move out of poverty (Shetty, 2008).

The primary objective of MFIs is to provide financial services (credit and saving) to the poor in order to relieve financial constraints and help alleviate poverty. Microfinance institutions offer loans mostly to urban and rural peoples who cannot afford collaterals to get loans from banks. Financial services in Ethiopia are characterized by a high urban concentration (Facet, 2013). To fill this gap microfinance institutions provide credit to the poor, who lack access of formal credit from financial institutions. Micro-finance sector currently face challenges of loan repayment (defaults) by clients. The poor loan controlling system causes serious challenge to most microfinance institutions.

Every microfinance institutions try to maximize its repayment performance. Improving repayment rates helps reduce the dependence of the MFIs on subsidies, which would improve sustainability (Godquin, 2004). One indicator of effectiveness of MFIs is the loan repayment performance of the borrowers (Addisu, 2006). High loan repayment rates benefits both MFIs and the borrowers (Godqin, 2004). Also it argued that high repayment rates reflect the adequacy of MFIs' services to clients' needs. High repayment rate helps to obtain the next higher amount of loan (Bond and Rai, 2009). Contrary to this, if there is low repayment rate, both the borrowers and the MFI were affected. In this case the borrowers will not be able to obtain the next higher loan and the lender will also lose their customer.

Default rates are the amount of loans not collected on current and past loan maturity period. Loans taken from credit institutions vary from country to country, region to region, sector to sector. However, almost all credits of developing countries were found to share one common characteristic; all suffer from a considerable amount of default rate (Kashuliza 1993).

Increasing default rate in microfinance leads to the following implication. For instance, it discourages the financial institutions to refinance the defaulting members, which put the defaulters once again into vicious circle of low productivity. Therefore, a rough investigation of the various aspects of loan defaults, source of credit, purpose of the loan, form of the loan, and condition of loan provision are of utmost importance both for policy makers and the lending

institutions (Kelly, 2005). Even if default is random and influenced by unpredictable behaviors or it is influenced by certain factors in a specific situation needs an empirical investigation so that the findings can be used by micro financing institutions to manipulate their credit program for the better (Khandker et al., 1995).

According to (Awoke 2004, cited in Ahmmed et al., 2012) reports that most of the default arose from poor management procedures, loan diversion and unwillingness to repay loans. For this reason, the lenders must give various institutional methods that targeted to reduce the risk of loan default.

In order to maintain sustainability of MFIs, one important thing is to identify the socio-economic and institutional factors which significantly affect the loan repayment performance from both borrowers and lender side. Therefore, this study is aiming to analyze factors that affect loan repayment performance in Omo micro finance institution in Kaffa zone.

RESEARCH QUESTIONS

The study has the following research questions to be developed to solve the problems:

- ☛ What are the major factors that affect loan repayment performance of borrowers in OMF?
- ☛ What are the major difficulties and challenges faced by lenders in the collection process related with internal and external factors?

1.4. Objective of the Study

1.4.1. General Objectives

The main objective of the study is to investigate and analyze determinants of loan repayment performance of borrowers and to identify the major problems that face OMF in kaffa zone.

1.4.2. Specific Objectives

- ✓ To analyze loan collection performance of Omo microfinance borrowers in rural and urban area.
- ✓ To identify the socio-economic factors that influence loan repayment performance OMF borrowers.
- ✓ To assess the major problems faced by the borrowers and lenders in the repayment process related with internal and external factors in OMFIs

- ✓ To examine purpose of borrowing and loan related factors that influence the repayment performance of the clients?

1.5. Significance of the Study

Microfinance(MF) offers poor people access to basic financial services, such as loans, savings, money transfer services, micro insurance and other financial products targeted at poor and low-income people” MF is important in developing countries like, Ethiopia for poverty reduction and creating employment opportunity. One of the key factors for productivity and sustainability of MFIs is the ability of good loan repayment performance.

This study tray to provide:-

- ☞ As source of knowledge for future references by people who have interest to gain insight about loan repayment performance of institution
- ☞ Provide relevant information to decision makers about loan repayment performance of OMF.
- ☞ As a baseline data to compare against similar studies to be made in the future in study area.
- ☞ To provide possible suggestions to problem areas and recommended possible solution for concerning body.

1.6. Scope and Limitation of Study

The study was conducted in Kaffa zone of SNNRS in Ethiopia. The scope of this study was restricted determinants of microfinance loan repayment performance and socio demographic factors that affect loan repayment performance of OMFI borrowers.

Descriptive statistics and binary logistic economic model were used to analyze the primary data collected. Twelve independent and one dependent variable were selected for analytical purpose.

In addition, the profitability level of business activity which is financed by credit of the borrowers was not included in the study. The data were obtained from two service delivery posts out of the 11 delivery posts that OMFI operates. The service delivery posts were limited to two due to logistical limitations. Since the research conducted was an academic research that should meet the deadline set by the University and this all reduce the freedoms of the researcher not expand the area as he wishes.

1.7. Organization of the paper

This research paper consists of five chapters. The first chapter comprises background of the study, Justification of study, statement of the problem, objectives of the study, research hypothesis, significance of the study and scope and limitation of the study.

Chapter 2 presents literature review with respect to the theoretical perspective and empirical studies on microfinance. Chapter 3 provides the research design and method of data collection of the study, in addition includes the main principles of research methodology and the adopted research design for the study. Chapter 4 consists of finding and discussion of the collected data on the problem in the sample.

Finally, chapter 5 consists of summaries of major findings, conclusions, and recommendation for possible solutions to the problems of the study.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1 Theoretical Literature

2.1.1. Over View of Micro Finance

In Europe in the 15th century, the Catholic Church founded so called pawn shops in order to keep people from shady loan sharks and money lenders who gave out loans at higher interest rates. These pawn shops later spread throughout the continent (Helms, 2006). According to Seibel (2005) “informal finance and self-help have been at the origin of microfinance in Europe”. More formal credit and savings institutions for poor people were already established in Ireland by the Irish Loan fund system as early as 1720, using peer monitoring to enforce the repayment in weekly installments of initially interest free loans from donated resources (Seibel 2003).

According to (Helms 2006) another cornerstone in the history of microfinance was the opening of the Indonesian People's Credit Bank in 1895 that became the largest microfinance system in Indonesia. In Bangladesh Professor Muhammad Yunus, the famous founding father of Grameen Bank, with his own lending policy started its operations in the 1970s and who is currently a synonym for microfinance (Sarah, 2011). He provide first loan service from his own pocket to a group of rural women in Jobra in 1976 and successfully developed the concept of microfinance with his Grameen Bank throughout the country and later the whole world wide (Yunus 1999).

Nowadays there is a strong development towards commercialization and transformation of providers of microfinance into formal financial institutions. This stems from the incentive of profitability and sustainability of microfinance institutions. More and more institutions became independent from donor funds and increase their capital from the capital markets while raising their outreach. According to (Sundaresan, 2008) the year 2005 was declared as the “Year of microfinance” and attracted even more private investors to invest their funds into microfinance activities.

2.1.2. What Is Microfinance?

Microfinance is a form of financial development that has primarily focused on alleviating poverty through providing financial services to the lower income society or the poor. People think of microfinance, if at all, as being about microcredit, which is lending small amounts of money to the poor. Microfinance is not only offering this service only, but also it provides broader: including insurance, transactional services, and savings (Barr, 2004).

Canadian International Development Agency (CIDA,2007) defined microfinance as, “the provision of a wide range of financial services to poor women and men to enable them to increase their incomes, build assets and reduce lack of access to formal financial institutions. microcredit ,which is likely the most visible form of micro finance ,but also saving ,micro insurance ,money transfer ,and other financial services.

According to (Christen et al., 2003) microfinance” means the provision of banking services to lower-income people, especially the poor and very poor. The term “microfinance” is often used in a much narrower sense, referring principally to microcredit for tiny informal businesses of micro entrepreneurs, delivered using methods developed since 1980 mainly by socially-oriented non-governmental organizations (NGOs).

2.1.3. Characteristics of Microfinance

Microfinance gives access of financial services to low-income people, who wish to access money for starting or raising an income generation activity. The individual loans and savings of the poor clients are small. Microfinance came into being from the appreciation that micro-entrepreneurs and some poorer clients cannot have access to borrow from banks, that is, they can repay, both the principal and interest, on time and also make savings, provided financial services are tailored to suit their needs. Microfinance as an institution has created financial products and services that together have enabled low-income people to become clients of a banking intermediary.

The characteristics of microfinance products include (Murray and Boros, 2002, pp.10-11).

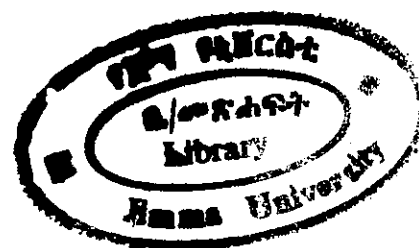
- Small amounts of loans and savings.
- Short- period loans (up to one year term).
- Payment schedules attribute frequent installments or frequent deposits.

- Payments (Installments) made up from both principal and interest.
- Higher interest rates on credit (higher than commercial bank rates)
- Easy access to the microfinance intermediary saves the time and money of the client and permits the intermediary to have a better idea about the clients' financial and social status.
- simple application procedures
- Short processing periods (between the completion of the application and the disbursement of the loan)
- The clients who pay on time become eligible for repeat loans with higher amounts.
- No collateral is required contrary to formal banking practices. Instead of collateral, microfinance intermediaries use alternative methods, like, the assessments of clients' repayment potential by running cash flow analyses, which is based on the stream of cash flows, generated by the activities for which loans are taken.

2.1.4. The Key Principles of Microfinance

The last three decades have seen significant advances in understanding and providing financial services to better advance development and eradicate poverty. This includes providing the financial means to save, access credit, and start small businesses, with the potential to enhance community development, as well as local and national policy making. There are various principles of MFIs adopted and approved by the Group of Eight (G8) and its 28 public and private members (CGAP, 2006).

1. **Poor people need a variety of financial services, not just loans.**
Poor need wide financial service not only loans but also they want to savings, insurance, and money transfer services.
2. **Microfinance is a powerful tool to fight poverty.**
Poor households use MFIs as a tool to eradicate poverty by rising income, build their assets, and reduce themselves against external shocks.
3. **Microfinance means building financial systems that serve the poor.**
Microfinance will reach its full potential only if it is integrated with a country's majority financial system. This integration fosters the development of the countries in general.



4. **Microfinance can pay for itself, and must do so if it is to reach very large numbers of poor people.**

Most poor people no access to get good financial services that meet their needs because there are not enough strong institutions that provide such services.

5. **Microfinance is about building permanent local financial institutions**

Developing sustainable micro financial system is important for offering service in permanent manner and that can attract domestic deposits, recycle them into loans, and provide other financial services.

6. **Microcredit is not always the answer.**

Other kinds of support may work better for people who are so poor that they are without income or means of repayment. Everybody before providing loan to the poor considers the awareness creation about how to generate income how to repay the loan is mandatory one, without this simple giving loan is not a tool for poverty eradication.

7. **Interest rate ceilings hurt poor people by making it harder for them to get credit.**

In this principle borrowers are expected to pay higher interest of credit rate for their credit more than bank sectors interest rate. Making many small loans costs more than making a few large ones. Borrowers who borrows higher amount of money charged less interest rate compared to lower borrowers.

8. **The job of government is to enable financial services, not to provide them directly.**

The role of government is to enable financial services by keeping safe and sustainable monetary policy environment for financial institution. Furthermore, government supports the financial sectors by providing available support.

9. **Donor funds should complement private capital, not compete with it.**

Donors should use appropriate micro financial institutions in continuous and sustainable ways by grant, loan, and equity instruments on a temporary basis to build the institutional capacity of financial providers, develop support infrastructure, and support experimental services and products.

10. **The key bottleneck is the shortage of strong institutions and managers.**

Donors should focus their support on building capacity. For long lasting of micro finance strong institutional and managerial staffs are the important one.

11. Microfinance works best when it measures and discloses its performance.

Reporting not only helps stakeholders judge costs and benefits, but it also improves performance. MFIs need to produce accurate and comparable reporting on financial performance (e.g., loan repayment and cost recovery) as well as social performance (e.g., number and poverty level of clients being served).

2.1.5. Challenges of Microfinance

Micro credit (MC) as a tool of poverty alleviation and it faces various challenges. These can be understood at three different levels: macro, meso and micro. At macro level unstable policies and poor macroeconomic conditions (economic growth and stability) are crucial to MC development. At meso level, in adequacy of institutional capacities those are; managerial and financial worthiness, quality of human resource, lack of coordination among the MCIs, entrepreneurial skills, and the issue of sustainability (mainly financial) are the main limitations. At micro level, the Problems related to the creditworthiness and credit discipline of the clients are main challenges (Samuel, 2008, p.23).

According to Vento (2004) the first most typical challenges faced by any Microfinance institution is credit risk. In addition, the cost of debt collection per loan amount is, on average, higher than in formal intermediation, especially in developing countries lending.

2.1.6. Lending Methodology

Lending methodologies differ with respect to whether loans are made to groups or to individuals. The lending methodology selection greatly influences product design, client selection, the application as well as approval process, loan repayment, and monitoring and portfolio management. Lending methodology also impacts the institutional structure and staff requirements, including training and compensation (Ledger wood, 2013).

2.1.6.1. Group Based Lending

Group based lending is one of new approaches of lending small amounts of money to a large number of clients who cannot offer collateral. The size of the group can vary, but most of the time groups have between 4 to 8 members. The group self-selects its members before

acquiring a loan. Most MFIs require a percentage of the loan that is supposed to be saved in advance, which points out the ability to make regular payments and serve as collateral (Murray and Boros, 2002).

According to (Murray and Boros, 2002) group members are jointly accountable for the repayment of each other's loans. To ensure repayment, peer pressure and joint liability works very well. The defaulter group will be disqualified and will not be eligible for further loans, even if one member of the group becomes a defaulter. The creditworthiness of the borrower is therefore determined by the members rather than by the MFI.

According to Nawai and Shariff (2010) in group-based lending, borrowers must form a group before applying loans and they also responsible to other loan members. If one member default, the others will be responsible to pay the loan or they will be denied access for the next loans.

2.1.6.2. Individual Based Lending

Individual lending requires greater honest analysis of clients and their cash flows, sometimes physical collateral, and frequent and close contact with clients during the term of the loan. Loan approvals and amounts are based on an applicant's eligibility and debt capacity, which in turn are dependent upon a number of factors, including personal and business characteristics, for example, age, gender, or reputation, sources and amount of income, age of business, cash flow, and available collateral (Ledger wood, 2013).

2.1.7. Theories of Microfinance

There are a number of theories that try to explain the concept of microfinance and its role in improving the life of poor people whole the world. Governments and development partners have invested heavily in these economies to alleviate poverty which is a obstacle to development of the financial markets and empowering the citizenry economically. There are different types of theory such as: neo-classical growth theory, welfarist theory, institutions theory, empowerment theory and uniting theory (Todaro et al, 2003; Robinson, 2001; Elsa and Stina, 2006; Cheston and Kuhn, 2002, cited in Omoro and Omwange, 2013).

Out of above mentioned theories to give some points in uniting theory, therefore it supports this study. According to (Ghatak and Guinnane, 1999) uniting theory was important for joint liability in the repayments of microfinance loans. The aim of this theory is to improve repayment rates and the welfare of credit-constrained borrowers. In joint liability, when one borrower cannot repay a loan, group members are responsible to repay for one of their members if he or she defaults to pay for his or her monthly installment. Borrowers believe that if a group member defaults, the whole group will not be allowed to access future loans even if the lending contract does not specify this punishment.

2.1.8. Microfinance in Ethiopia

Microfinance institutions introduced in Ethiopia after the dawn fall of the Derg regime following the policy of economic liberalization. The development of microfinance institutions in Ethiopia is a recent phenomenon. Ethiopian development strategy is the establishment of sustainable microfinance institutions serving large number of poor people. Microfinance is taken as a shift from government and NGO subsidized loan programs to finance services run by specialized financial institutions. Later microcredit programs were changed to microfinance institutions. Non-governmental organization (NGO) credit schemes and informal sources of finance have existed in Ethiopia for many years; the government instituted a legal and policy framework for MFIs in 1996 through Proclamation 40/1996 (Gebrehiwot, 2002).

Currently, the Ethiopian microfinance industry is rapidly growing. Recently, there are 31 MFIs reaching around 2.4 million people (AfDB, 2012). The deposit interest rate is 3-8% and lending interest rate is 12-24% in 2012. Most MFIs are doing remarkably well in terms of financial performance given their relatively short track record (Facet, 2013).

2.1.9. Omo Microfinance Institution (OMFI)

After introduction of proclamations 40/1996, one of the MFI established in Ethiopia is Omo Micro Finance Institution S. C (OMFI) which is operating in the southern nation's nationality and peoples Regional State of Ethiopia. It was originally established as Nongovernmental organization in 1997. OMFI is operating in nine (9) branches in the following towns of the Southern Nations and Nationalities Peoples Regional Sate (SNNPRS) such as, Hossana (Hadiya

Zone); Durame (Kembata, Alaba Tembaro Zone); Arbaminch (Gamogofa Zone); Wolkite (Guraghae Zone); Bonga (Kaffa and Sheka Zone); Awassa (Sidama Zone); Dilla (Gedio Zone); Mizan (Bench Maji Zone) and Sodo (Wolayita Zone). Total Number of Woredas Covered so far is 52 Woredas in 9 branches. It provides financial services to active poor peoples in southern regional states both in urban and rural areas. Currently the institution has more than 327,888 active borrowers and gross loan portfolio of USD 31.2 million. The annual lending and deposit rate are 15% and 3% respectively. Gender Sensitivity; male and Female Clients accounts 62% and 38% respectively³.

The institution reaches its target through the organizational structure, namely: head office, branch office, sub branch office and kebeles service delivery post (Appendix 1). The total number of employees in the institution is 214, out of which 66 are loan officers and the rest are support staffs (OMFI, 2013).

Concerning to loan size and loan terms, OMFI provides loan to micro business, agricultural, small investment and working capital to its diverse clientele. Accordingly loan size for agriculture and micro business loan ranges between 2000 up to 5000 birr with loan term of between three month and two years depending on the type of activities financed. On the other hand, Loan size for small investment and working capital, start with a minimum of birr 5000 depending on the viability, profitability and absorption capacity of the client's enterprise ,with loan term extended from a minimum of two years up to 5 years depending on the nature the business being financed. In addition to this the first loan cycle size shall not exceed birr 1,000 and birr10, 000 for agricultural and business loans and small investment and working capital respectively (OMFIOPM, 2010).

2.1.9.1. Client Selection Criteria and Group Formation

Some of selection criteria for credit service are:-economically active, healthy and capable poor between age group 18 and 60years ,low income urban, low income civil servant, good and proven credit history ,willing to make compulsory saving and viability of business plan are the

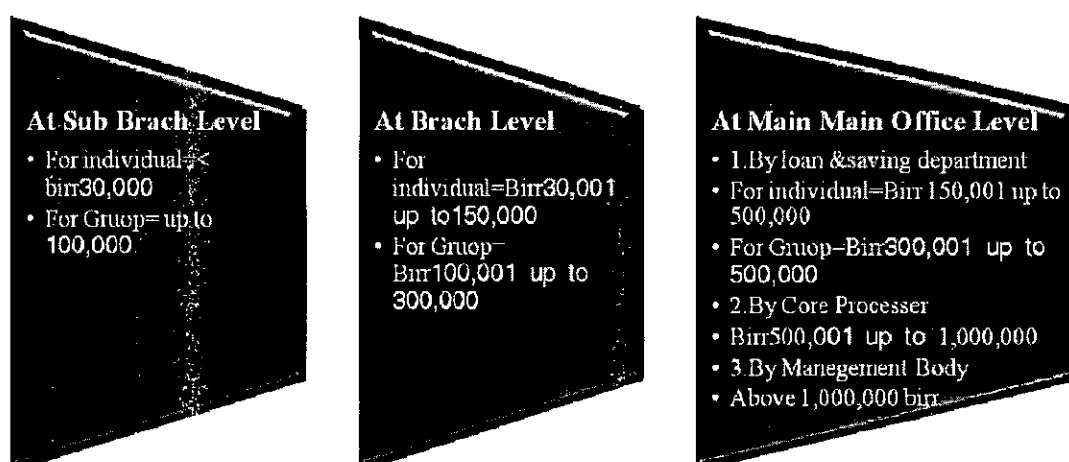
³ omomicro@yahoo.com accesses march19, 2014.

main criteria. In addition to this group formation is one of key element in MFI, the group will consist of a maximum of 5 members and minimum of 3(OMFIOPM, 2010)

2.1.9.2. Loan Approval Delegation From Upper Level To Lower Level

To minimize risk on loan administration, it is important to delegate loan approval in different hierarchy. According to the (OMFIOPM, 2013) the loan approval delegation are as follows:

Figure2.1.Loan approval delegation



Source: (OMFIOPM, 2010)

2.2. Empirical Studies on Determinants of Loan Repayment

2.2.1. Studies in Other Countries

Zeller and Sharma (1996) studied determinants of loan repayment performance empirical analysis evidence in Madagascar. By employed a Tobit model, the result shows that group size, loan size and social cohesion have positive and significant impact on loan repayment performance. In addition puts pressure on the borrower who do not pay credit reduce the loan default rate.

Park and Ren (2001) analyzing household survey data in micro finance with Chinese characteristic based on Grameen model, examined that high repayment frequency can be a burden to farmers without strong cash flow during off farm income.

Bhatta and Tang (2002) employing logit model in identifying determinate of loan repayment in micro credit program in United States. On their study concluded that women have low repayment rate. This result indicated some women entrepreneurs surveyed have engaged in higher risk and low return activities.

Godquin (2004) findings on microfinance repayment performance in Bangladesh, by employing probit model to estimate the probability of borrower loan repayment performance. The result shows the age of borrower and the loan size have negative impact on repayment performance. In addition to this female borrowers coefficient in his study was positive, it is not significant, but positive sign did not prove to have a significant better repayment performance.

Mokhtar et al. (2012) by employing logistic regression model he analyzes the determinants of loan repayment problems among TEKUN and YUN borrowers in Malaysia. The finding shows loan repayment problem is higher for male than female. He stated male borrowers are less responsible and disciplined in repaying their microcredit loans than female.

Habteab (2004) examine adverse selection and moral hazard in group based lending evidence from Eritrea, in his study divided microfinance loan in to two individual based lending and group based lending. According to Habteab in group based lending all members of group are responsible for loan repayment which means they support the principles of joint liability. Different theories indicate that repayment performance is related to the screening, monitoring and enforcement of group members. Habteab investigated the differences in monitoring activities of group leaders via other group members make a difference to the repayment performance of groups.

2.2.2. Studies in Ethiopia

According to Mengistu (1997), an economic estimation was conducted on determinants of loan repayment performance and efficiency of screening mechanism: the case of Hawasa and Bahir Dar towns by using binomial probit model. The study employed 352 and 409 sample from Hawassa and Bahir Dar towns respectively. The study revealed that for Hawassa, age and weakly installment period are significantly and positively related with full loan repayment. In case of Bahir Dar loan diversion and availability of other source of credit have a negative impact on loan

repayment. In both cities loan size has negatively related, whereas suitability of repayment period is significantly and positively related, but sex and educational are positively related. ,

Reta (2000, cited in Jemal, 2003) in his study the impact of microfinance on living conditions of fuel wood carriers women in Addis Ababa. Employed probit model and the finding shows supervision, repayment period suitability and other source of income were positive impact on loan repayment performance ,while education level were negative impact related to loan repayment.

Belay (2002), factors influencing loan repayment of rural women in Eastern Ethiopia: case of Dire Dawa. His findings shows that land size is the basic asset of farmers, the cultivated land size owned by sample households' respondents were the contributing factor for reducing the default rate. In addition to this the non defaulter respondents traveled on average less distance than defaulter. Hence, the distance has significant and negative impact on loan repayment performance.

Abreham (2002) employed Tobit model to analyze the determinants of loan repayment status of private borrowers around Zeway, Ethiopia. According to his finding ;having other source income ,education ,work experience in related economic activity before loan engaging other than agricultural were enhancing loan repayment ,while loan diversion ,being male borrower and giving extended loan repayment period were undermining factors of loan recovery performance of projects. The study was used to collect data from 154 borrowers out of this 102 sample were selected using stratified sampling method according to clients loan status ,so as to keep the population proportion in terms of their repayment,32.5%of total population were credit worthy borrowers and the reaming 67.5% were defaulters.

Jemal (2003) investigated the microfinance repayment performance of Oromia credit and saving institution in Kuyu, Ethiopia, he employed probit model and descriptive statistics. His finding shows age, income financed by loan, suitability of loan repayment period and loan supervision are positively and significantly related to loan repayment performance, while loan size, sex, number of dependents and loan diversion are significant and negatively related to loan repayment rate. In addition his finding shows that female borrowers were found better in terms of loan repayment.

Amare(2005) investigate the determinants of formal source of credit loan repayment performance of small holder farmers in Northern Gonder, Ethiopia. The study employed two-limit Tobit models to analyze seven explanatory variables. The finding of this study revealed that, livestock are important farm asset that improve the farmers repayment performance. In addition number experience in agricultural activities is factors, which is positively related to dependent variable (loan repayment).Farmers that have participated in agricultural activities increase their income, but land size is negatively related with dependent variable.

Meron (2008) on her study loan provision, degree of collectability and reasons for default: case of Wise saving and credit cooperatives union for women in Ethiopia. The study employed both primary and secondary data. The study revealed that the level of education of the borrower reduces the default rate and also indicates interest charged has a great impact on clients which makes them to reduce the amount of loan they want to take.

Fikirte (2011) on her study loan repayment performance of Addis credit and saving institution (AdCSI) in Addis Ababa, Ethiopia she employed a binary logit model used to analyze socio economic factors that influence loan repayment. The study shows out of 11 variables age and five business types (baltina& petty market, kiosk & shop, services providing, weaving & tailoring and urban agriculture) were important in influencing loan repayment performance of the borrower. In this study loan provision in group based lending in terms of the dependency ratio was negatively and significantly related to being defaulter, implies that borrower family in the group lending might be involved in productive activities. Furthermore ,sex and business experience of the respondents were found to be insignificant and positively related to loan repayment rate.

Million et al., (2012) studied on factors affecting loan repayment performance of Small holder farmer in Eastern Harergie, Ethiopia. In order to analyze the factors that influenced loan repayment performance, employed a two limit tobit regression model and also structural questioner was used to collect information from 140 respondent in two district (Kombolcha and Babile),by using multi stage sampling technique. The result shows that agro ecological zone, off farm activities and technical assistance from extension agents positively influence loan

repayment performance, while product loss, informal credit, social festival are negatively related to loan repayment.

Solomon and Addisu(2013) study on determinants of rural households loan repayment performance :case of Oromia credit and saving share company (OCSS) and keleta saving and credit union(KSCUCSSs) in Dodota woreda in oromia regional state. Employed logistic regression analysis, result shows age, sex, number of oxen owned, land holding size, and loan supervision were positively and significantly to pay full and timely loan. However house hold size and level of interest rate are the major factors which are increase default rate.

Abebe (2013) study conducted on factors that influence microfinance loan repayment and evaluating the loan rating mechanism: case of oromia credit and saving Share Company (OCSS) the research employed both primary data collected through structured questionnaire. The result of descriptive statistics and the probit model shows education, income, loan supervision, suitability of repayment period, availability of other credit source and livestock are significantly factors that enhance loan repayment performance, while loan diversion and loan size significantly increase loan default. In addition female borrowers were better performance in terms of loan repayment than male.

Finally, other various studies were conducted on the determinants of loan repayment performance in different countries. Majority of the study conducted were focused on loan repayment related with rural borrowers, but few study indicate loan repayment performance of urban borrowers. However, the present research focuses on the determinants of loan repayment performance of both rural and urban microfinance beneficiaries. Furthermore, the study will also analyze the loan repayment performance of micro finance clients, the impact of lending on borrowers business activities, like commercial sectors ,enterprise sectors⁴,service sectors and agricultural sectors on loan repayment performance of OMFI ,that were not done by the other researchers before.

⁴ An **Enterprise sector** in this study refers to borrowers which are involved in construction, metal and wood work and kobil stone road construction and the like.

2.3. Operational Definition of Terms Used In the Study

Arrears: A loan that has not been paid over a short period of time according to the terms and requirements as agreed upon between lender and borrower in a loan agreement.

Borrower: A loan beneficiaries who willingly enters into an agreement with a lender with the intention of accessing credit or a loan of money

Default: A loan that has not been paid over a long period as agreed upon between lender and borrower. There is little hope of ever receiving payment from the borrower.

Defaulter: A borrower who fails to pay any portion of his or her loan amount, including fees and interest, within the agreed upon time frame under his or her loan agreement.

Grace period: A period of time for which a borrower is not required to pay any portion of his or her loan.

Group Loan: Loans given to individuals in a group in which all group members jointly guarantee each other

Interest rate: A percentage of a loan amount paid in the form of a fee established in a loan agreement for which the borrower pays during his or her loan period.

Lender: An institution that accepts deposits and lends money to the public with or without interest or other fees.

Loan (or credit): Money that is borrowed and must be paid back with or without interest or fees within the time period and under the terms as agreed upon between borrower and lender.

Loan agreement (credit agreement): An agreement between a willing lender and a willing borrower under which a lender extends credit or lends money to a borrower under prescribed terms.

Loan repayment period: The duration for which a borrower will make payments until his or her loan is paid in full.

Loan repayment frequency: The number of payments a borrower will make until his or her loan is paid in full.

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

3.1. Description of the Study Area

The study area is Kaffa Zone, one of the fourteen zones in the region. It is located in South Western Ethiopia, and share boundaries with North west and North East part with Oromia regional state, East and south east part with Kanta special district, south part with south Omo Zone, south east part with Bench majji zone and South west part with Shekka zone. The capital of Kaffa zone is Bonga, which is found at about 449Kms far from Addis Ababa, 729 km far from Hawassa, and 115 Kms far from Jimma University with current total population of about 1,041,123 in which 49.36% are male and 50.64% are female population, is growing at a rate of 2.9% per annum (CSA, 2007). About 956,480(91.87 %) people are living in rural area while only 84,643 (8.13 %) people are living in Urban. Majority of the population live on agrarian economy. The zone is divided into 10 districts and one town administration, which consists of 325 kebeles out of these 309 rural kebeles and 16 urban kebeles. The geographical location of Kaffa zone is between 6° 15' and 8° 08' north latitude and 35° 30' and 36° 46' east longitudes (ZoFED, 2013).

Various financial institutions assist the economic activities in Kaffa zone. Some Banks, private and government owned, working in Ethiopia have branches in Bonga, the capital city of Kaffa zone. Among these, Dashen Bank (DB) is the only private bank, which has a branch in Bonga. In addition two government owned banks are operating in Bonga, such as Commercial bank of Ethiopia (CBE) and Construction and business bank (CBB). OMFI has branches in all 10 Woredas/district/ and 1 town administrations. However, OMFI is not serves only Woredas centre but also it has post office in all kebeles of Kaffa zone (OMFI, 2013).

3.2. Research Approach

In this study the researcher used both quantitative and qualitative approach. The use of both methods also ensures that the data was effectively interpreted and analyzed using the statistical analysis, descriptive figures as well as the narrative. According to Creswell (2003) three types of research approach which are familiar to business and social science research are quantitative, qualitative and mixed methods approach. Therefore, the next few paragraphs are present the three approaches basic nature, merits and demerits.

Quantitative research is based on the measurement of quantity or amount. It is applicable to phenomena that can be expressed in terms of quantity (Kothari, 2004). Quantitative research is a means for testing objective theories by examining the relationship among variables (Creswell, 2003). According to Jonker and Pennink (2010), quantitative research is often regarded as being purely scientific, justifiable, and precise and based on facts often reflected in exact figures. This approach often appears when the audience consists of individuals or readers with a quantitative orientation. This quantitative research approach can be further sub-classified into inferential (survey research), experimental and simulation approaches to research.

Qualitative research is concerned with qualitative phenomenon, which means that, phenomena relating to or involving quality or kind (Kothari, 2004). In Qualitative research approach the researcher often makes knowledge claims based primarily on the multiple meanings of individual experiences, socially and historically constructed meanings, participation in issues, collaboration or change oriented with an intent of developing a theory or pattern or advocacy/participatory perspectives (Creswell, 2003p. 21). According to Kothari (2004) in this method the researchers uses mostly the closed ended questions. Closed questions have the advantages of easy handling, simple to answer, quick and relatively inexpensive to analyses.

3.3. Data source and type

A written survey is a questionnaire while an oral survey is an interview (Desalegn, n.d). This study was conducted based on both primary and secondary data, using a structured questionnaire with the help of trained enumerators. The primary data were collected by face to face interviews using structured questionnaire. The questionnaire includes both closed and open ended questions. The closed-ended questions used to collect background information about the respondent. It

covered the personal information, institutional, group lending, loan and repayment related questions. The open-ended questions dealt with the challenges in repayment process and institution, the perception of clients towards the OMF and microfinance institution as a whole.

The questionnaire was prepared in English language and then translated into local languages Kaffigna and Amharic, the language spoken by the majority of population in study area. In addition, qualitative data collected through semi-structured interview and discussions were made with selected loan officers and branch managers and relevant documents were reviewed. The questionnaire was pre-tested before conducting survey for the whole sample. Secondary sources include published and unpublished materials about microfinance institution activities.

Survey questionnaire have been revised and adopted from various related studies. Jemal,2003; Asmelash, 2003; Fikirite, 2011 and Abraham, 2013) and others. The questionnaire has mainly two sections ,were divided in to six main parts: such as socio demographic profile of borrowers, loan and loan related questionnaires, group lending related questions, business related questions, institutional related questions, and other loan related internal and external factors

3.4. Study Population

A population can be defined as all people or items (unit of analysis) with the characteristics that the researchers wish to study. The analysis may be a person, group, country ,organization, object, or any other entity that the researchers wish to draw scientific suggestions (Bhattacharjee,2012). The respondents were borrowers and loan officers of Omo microfinance institution in Kaffa zone.

The number of borrower's data was collected from borrower profile of the institution. The study populations were defaulter and non defaulter during the data collection period. Currently the institution has 2860 elients. The researcher used a total number of 7 officers (out of these 2 mangers and 5 loan officers) were interviewed in study period.

3.5. Sampling Method and Sample Size Determination

The research was employed through stratified random sampling in selecting the representatives following the method of proportional allocation under which the sizes of the samples

from different strata are relatively kept proportional to the sizes of the strata. The sample for this study consisted of defaulter and non defaulter OMF loan beneficiary in responding the questionnaires . Out of total population 2860 (844 defaulter and 2016 non defaulter borrowers) were included in this study (OMFI, 2013). To develop the sampling size, list of borrowers were acquired from Omo microfinance borrowers profile list .Representative sample are selected from the total borrowers by using stratified sampling technique dividing the borrowers (population) in to two strata, in terms of loan payment status defaulters and non defaulters. From total 1410 urban borrowers and 1450 rural borrowers were selected (OMFI, 2013).

Cochran's (1977) sample size determination formula was adopted for this study. The numbers of borrowers were rural 1450 and urban 1410, totally the study size comprised of 2,860 beneficiaries, using the following scientific formula.

$$n_0 = \frac{Z_{\alpha/2}^2 pq}{d^2} \quad (\text{To determine the sample size in estimating the mean or the proportion of finite population}).$$

Where z = value for selected alpha level of 0.025 in each tail (for 95% degree of confidence) =1.96

$(p)(q)$ = estimate of variance = 0.25

D = acceptable margin of error for proportion being estimated 5%= 0.05

$$n_0 = \frac{(1.96)^2 * 0.5 * 0.5}{0.05^2} = 384$$

Therefore since the initial sample size is greater than 5% of the total population (5% *2860=143), Cochran's (1977) correction formula will be used to calculate the final sample size.

These calculations are as follows:

$$N = \frac{n_0}{1 + \frac{n_0}{N}} = \frac{384}{1 + \frac{384}{2860}} = 339, \text{ is the total sample size of survey.}$$

The researcher believed that 339 sample size was used as representative of the population because of borrowers under similar stratification have homogenous characteristics and have common environment in which they exposed for similar problems. These samples were selected

from each Stratum using relatively proportionate allocation in relation to the percentage of total population.

From the above two stratum (defaulters and non defaulters borrowers), proportionate sample size was taken. The reason for using proportionate sample was to give equal chance for all respondents. To determine sample size from each stratum, the sample size determination formula was:-

$$n_h = \left(\frac{N_h}{N_s} \right) n$$

Where: n_h = sample size from each stratum

N_h = Total population in each stratum

N_s = Total population of the sum of strata for study(x) and

n = Total sample size from the study population (Israel, 1992 and Cochran, 1977). Based on this formula sample size from each stratum was provided table below.

Table 3.1 Proportionate sample size from each stratum

Loan repayment status	Number of Borrowers	Proportionate sample size from stratum $n_h = (N_h / N_s) n$
Defaulters	844	$(844/2860) * 339 = 100$
Non defaulters	2016	$(2016/2860) * 339 = 239$
Total	2860	339

Source: survey result, 2014

The strata were grouped in four sectors (Agricultural sectors, commercial sectors, enterprise sectors and service sectors) according to purpose of borrowing. The survey mainly considers two service delivery posts namely; Bonga town administration for urban respondent and, Addiyo Woreda for rural respondent were selected in terms of their large number of clients.

3.6. Data Analysis and Estimation Techniques

Data analysis has been done after all the relevant data have been gathered from the respondents. Quantitative data was edited, coded and entered into a computer and processed using SPSS Version 20.0 statistical software. Errors related to inconsistency of data checked and corrected during data cleaning. The empirical analysis of the study was conducted using both descriptive statistics and econometric regression model. Descriptive statistics discussion is made by using measures like percentages, tables and maps used for comparing borrowers not paid credit/defaulters/ and paid credit/ non defaulters /in various explanatory variables.

The econometric regression model is applied for analyzing the data based on binary logistic model, which deal with loan repayment performance in total of 12 explanatory variables included in this study. Loan repayment status is a dependent variable, while different socio-economic, business related and lender related factors considered as independent variables. In this case the value of this dependent variable is 0 and 1, one stands for borrowers paid credit timely and 0 otherwise. Therefore, loan repayment is treated as dichotomous dependent variable.

Chi-square test were used for comparing defaulter and non -defaulter borrowers in various explanatory variables. The chi-square test is used to determine whether frequency distributions differ significantly. When using χ^2 we first prepare a cross-tabulation of the variables. The chi-square test can then be applied to the cross-tabulation to determine whether there is a significant difference between distributions (Fisher and Foreit, 2002).

The joint effects of all explanatory variables put together on the odds is (Holmes and Hossain, 2008)

$$odds = \frac{p}{1 - p} = e^{a + B_1 X_1 + B_2 X_2 + \dots + B_p X_p} \dots\dots\dots 1$$



Taking the logarithms of both sides

$$\text{Log} \frac{P}{1-P} = \text{Log}^{a+\beta_1 X_1 + \beta_2 X_2 + \dots + \beta_p X_p} \dots\dots\dots 2$$

$$Y = \text{Logit}P = \alpha + \beta_1 Sx + \beta_2 AG + \beta_3 EDL + \beta_4 FSZ + \beta_5 MOL + \beta_6 LSZ + \beta_7 DIS + \beta_8 RSD + \beta_9 TmLrelse + \beta_{10} OSINC + \beta_{11} SIP + \beta_{12} FergCol + \varepsilon_i$$

Y=1, is the probability that a borrowers will payback its loan

α = is the intercept coefficients and ε is the error term

$\beta_1 \dots \beta_{12}$ are the coefficients of each of the independent variables

If the error term (ε) is taken in to account, the logit model becomes:

$$Y = \alpha + \sum_{i=1}^K \beta_i X_i + \varepsilon_i \dots\dots\dots 4$$

The unknown parameters s ' β are estimated by likelihood function (equation 5)

The determinants of the loan repayment problem model were analyzed using logistic regression (Gujarati, 2003)

3.7. Assumptions of Logistic Regression

According to Hosmer and Lemshow(1989) In Logistic regration deferent assumptions were should consider for the efficient use of logistic regression the following points:-

- Logistic regression assumes meaningful coding of the variables. Logistic coefficients were difficult to interpret if not coded meaningfully. The convention for binomial logistic regression is to code the dependent class of interest as 1 and the other class as 0.
- The groups must be mutually exclusive and exhaustive; a case can only be in one group and every case must be a member of one of the groups.
- Larger samples are needed than for linear regression because maximum likelihood coefficients are large sample estimates.
- The logit regression equation should have a linear relationship with the logit form of the dependent variable.

- The dependent variable must be categorical.
- Logistic regression does not assume a linear relationship between the dependent and independent variables.
- Absence of multi co-linearity

3.8. Definition of Variables and Its Expected Sign

3.8.1. Dependent Variable

Dependent variable is the estimated result of the independent variable being operated and whose value depends on the value of independent or explanatory variables. It measure to demonstrate the effect of the independent variable. In this study the dependent variable is loan repayment (LR) for the n th borrowers (If $LR_n = 1$, borrowers repaying loan on time and $LR_n = 0$, borrowers not repay loan on time). The borrowers that did not repay the amount of money they borrowed as per credit schedules are considered as defaulters (denoted by is zero). Likewise, borrowers that repaid the amount they borrowed per credit schedules are considered as non-defaulters denoted by one.

3.8.2. Independent Variables

The independent variable is normally the variable indicative of the value being manipulated or changed and used to explain the dependent variable. For the purpose of this study the researcher has included 12 independent variables assuming that it is best to explain the determinants of loan repayment performance of OMF borrowers.

1. **Sex(SX):** many researchers argue that female were better payers than male borrowers, taking into consideration their being more entrepreneurial that results from assuming more responsibilities in the internal affairs of a household . But some researchers have found the opposite result. So nothing can be said about the sign of this variable. In this study sex has hypothesized as positive sign.
2. **Age (AG):** In this study age was hypothesized a positive impact on repayment performance. Usually at certain level of age limit borrowers get more stability and experience but beyond a certain age limit this variable has negative relationship. This shows as people get older, their ability to effectively use loan and generate income declines, the variable could also have a negative impact. Hence, may have a non linear relationship with loan repayment.
3. **Education Level (EDL):** This variable is expected to have a positive impact on repayment performance in general. Considering normal circumstances, a more educated borrower is expected to use the loan effectively as compared to a less educated one.
4. **Method of Lending (MOL):** In group lending there might be more group pressure for defaulters than individual lending. In addition, there was a social norm that governs the group members (Che, 2002). The group members may feel responsibility for the other group member loan. Therefore, they may put social sanction on the defaulters within the group and enforce them to repay loan. Therefore, group lending has a positive impact on loan repayment.
5. **Suitability of Installment Period (SIP):** If borrowers find the repayment period appropriate, they can utilize the loan proceeds effectively for the intended purpose than those who regard the period of repayment unsuitable. So we expect a positive sign for this variable.
6. **Distance of Borrower from Institution (DIS):** average distance (in kilometers) between borrowers and the lender institution. Non defaulter respondents traveled on average less distance than defaulter (Belay, 2002). The variable has expected negative sign. In this study consider as distance is less than 5km it is nearest otherwise far from the institutions.
7. **Family Size (FSZ):** Define as the total number of household in the family and elsewhere that depend on the borrower for their livelihood. When number of household increases, the borrower will need more money to fulfill their requirements in addition to the obligation of loan repayment. As a result, he/she may divert the loan to meet the needs of the dependents. Hence we expect this variable to have a negative impact on loan repayment.

8. **Residence of Borrowers (RSD):** This variable is a dummy capturing the fact that the borrower lives in rural or urban areas. Borrowers in rural areas are predominantly farmers. Loans extended for agricultural purposes are expected to face problem of default because of risk and uncertainty attached to agriculture (Jemal, 2003). In addition, rural areas are limited by difficulty of access, poor quality of infrastructures and limited local markets. Hence this variable is expected a negative sign.
9. **Other Source Of finance(OSFNC) :**Some borrowers may have other sources of finance before joining loan program ,like from agriculture, from trade, from employment in government or private organizations of the borrower and like. Such sources of finance are expected to have positive contribution towards loan repayment performance(Jemal,2003). However the availability of such sources creates negligence on the part of borrowers in fulfilling their obligation of repayment possibly considering the next loan unnecessary, it may damage repayment performance. The researcher hypothesized the variable has positive sign.
10. **Loan Size (LSZ) :**If amount of loan released is enough for the purposes intended, it will have a positive impact on the borrower's capacity to repay. On the other hand the amount of loan exceeds what the borrower needs and can handle, it will be more of a burden than help, thereby undermining repayment performance. Also positive or negative sign may be expected.
11. **Timeliness of loan release(TmLrelse) :**If loan is not disbursed in time, it is unlikely that it will be diverted to non-intended purposes. Johnson and Rogaly (1997) noted that timeliness of loan disbursement is important when loans are used for seasonal activities. They argued that complicated appraisal and approval procedures, which might delay disbursement, influence a program of seasonal loans that use to buy inputs. Further they noted that this could in turn worsen the prospects of repayment by diverting loan to non-intended purpose. Hence a positive sign is expected.
12. **Frequency of collection (FreqColn):** One of the factors from the lender side is high-frequency of collections. According to Vogelgesang (2003) Weekly collection of repayment installments by bank personnel is one of the key features of micro-finance that is believed to reduce default risk in the absence of collateral and make lending to the poor viable. Positively related to loan repayment and reduce the probability of loan default.

CHAPTER FOUR

4. FINDING AND DISCUSSION

4.1. Descriptive statistics Analysis

Table 4. 1 Demographic profile of Respondents

Variables		Urban			Rural			Total sample % C=A+B
		D	ND	Freq.(A)	D	ND	Freq.(B)	
Sex	Female	16(5.6%)	48(16.8%)	64(22.5%)	17(6%)	7(2.4%)	24(8.4%)	30.9%
	Male	21(7.4%)	60(21%)	81(28.4%)	34(11.9%)	82(28.8%)	116(40.7%)	69.1%
Age	18-29	24(8.4%)	19(6.7%)	43(15.1%)	33(11.6%)	5(1.8%)	38(13%)	28.1%
	30-39	9(3.2%)	51(17.9%)	60(21.1%)	14(4.9%)	53(18.6%)	67(23.5%)	44.6%
	40-49	4(1.4%)	21(7.4%)	25(8.8%)	1(0.4%)	23(8.1%)	24(8.4%)	17.2%
	>50	0	17(6%)	17(6%)	3(1.1%)	8(2.8%)	11(3.9%)	9.9%
Educational	can't	17(6%)	20(7%)	37(13%)	21(7.4%)	31(10.9%)	52(18.2%)	31.2%
	Grade 1-	17(6%)	13(4.6%)	30(10.5%)	18(6.3%)	19(6.7%)	37(13%)	23.5%
	Grade 9-	2(0.7%)	44(15.4%)	46(16.1%)	7(2.4%)	13(4.6%)	20(7%)	23.1%
	Certificat	0	19(6.7%)	19(6.7%)	5(1.7%)	25(8.8%)	30(10.5%)	17.2%
	>diploma	1(0.4%)	12(4.2%)	13(4.6)	0	1(0.4%)	1(0.4%)	5%
Marital Status	Married	7(2.5%)	69(24%)	76(26.7%)	6(2%)	72(25.3%)	78(27.4%)	54.1%
	Single	15(5.3%)	15(5.3%)	30(10.5%)	21(10.5%)	4(1.4%)	25(8.8%)	19.3%
	Divorced	9(3.2%)	15(5.3%)	24(8.4%)	16(5.6%)	8(2.8%)	24(8.4%)	16.8%
	Widowed	6(2%)	9(3.2%)	15(5.3%)	8(2.8%)	5(1.7%)	13(4.6%)	9.9%
Family Size	0-2	5(1.8%)	24(8.4%)	29(10.2%)	4(1.4%)	14(5%)	18(6.3%)	16.5%
	3-5	24(8.4%)	78(27.4%)	102(36%)	11(3.9%)	48(16.8%)	59(20.7%)	56.7%
	6- 9	8(2.8%)	6(2.1%)	14(5%)	27(9.5%)	22(7.7%)	49(17.2%)	22.2%
	>9	0	0	0	9(3.2%)	5(1.8 %)	14(5%)	5%
Number of Dependents	No	8(2.8%)	53(18.6%)	61(21.4%)	6(2.1%)	42(14.7%)	48(16.8%)	38.2%
	One	6(2.1%)	27(9.5%)	33(11.6%)	8(2.8%)	23(8.1%)	31(10.9%)	22.5%
	Two	7(2.5%)	4(1.4%)	11(3.9%)	14(5%)	8(2.8%)	22(7.7%)	11.6%
	Three	14(5%)	24(8.4%)	38(13.3%)	18(6.3%)	13(4.6%)	31(10.9%)	24.2%
	>three	2(0.7%)	0	2(0.7%)	5(1.7%)	3(1.1%)	8(2.8%)	3.5%
OSFNC	No	23(8.1%)	5(1.7%)	28(9.8%)	32(11.2%)	10(3.5%)	42(14.7%)	24.5%
	Yes	14(5%)	103(36.1%)	117(41.1%)	19(6.7%)	79(27.8%)	98(34.4%)	75.5%

Note: "D" stands for defaulter where as "ND" stands for non defaulters

Source: Survey result, 2014

4.1.1. Socio-Economic Characteristics of Respondents

The demographic, socio-economic and institutional characteristics of the respondents such as sex, age, level of education, marital status, family size, number of HH dependent, number of HH revenue generation, residence of borrower, method of lending, farm land size, number of livestock owned, saving behavior of the respondents and other variables related to loan repayment (defaulters and non defaulters) were analyzed using descriptive statistics.

In this study, 339 borrowers were interviewed from selected five kebeles (2 rural and 3 urban) of kaffa zone. According to survey result ,the total number of borrowers in the sample 167 (49.26%) are from the urban borrowers and 172 (50.74%) are from the rural borrowers of OMFI. From the total respondents 239 (70.50%) are non defaulter while 100(29.5%) defaulters (Table 3.1). Beside this, from the total respondents only 88(30.9%) of the total sample are female, the rest 197(69.1%) are male. However, from the selected sample respondent in the study the response rate was 285(84.07%) which means urban 145(86.83%) and rural 140(81.4%) of respondent.

On the basis of sex distribution, 30.9% of the respondents were female and the rest 69.1% were males in both defaulters and non-defaulters group (Table 4.1). Regarding the loan repayment status of the clients, about 5.6% female respondents and 7.4 % male respondents in urban were defaulters, while 6% of female and 11.6% male borrowers was defaulters in rural area. From this result one can infer that in urban female have better repayment performance than male, while in rural male borrowers are better than female. This result indicated some women borrowers in rural areas engaged low return activities and lack of knowledge about loan repayment (Table 4.1).

The survey results show that the majority of both urban and rural borrowers are in productive age group. From (Table 4.1)59 % of the urban and 65 % of the rural borrowers are in the age group 30-49 while 45 % of the total borrowers lie in the same age group 30 up to 39 age for the whole sample. Most of the borrowers are youngsters.

In terms of educational level (table 4.1), about 31.2% of the respondent have never attended school, 23.5% of them have grade /1-8/, 23.1percent attended grade /9-12/ ,17.2percent have certificate holder and only 5% of the respondents completed college diploma and above .

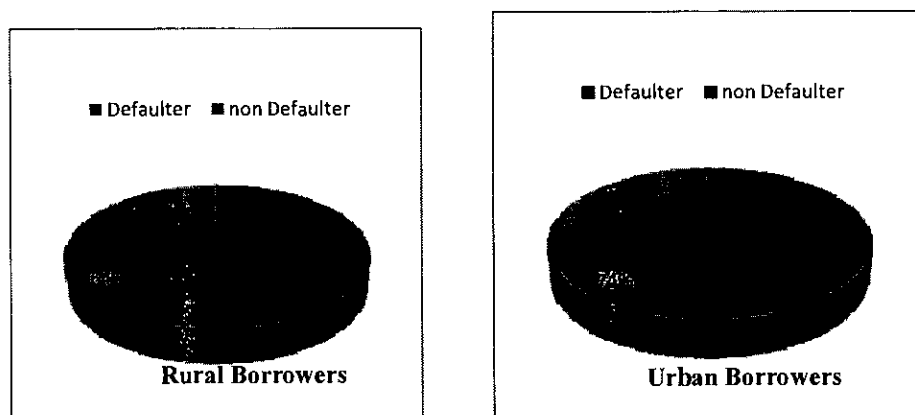
In the Table4.1 the percentage of married respondents were high in non defaulters group than defaulters group. Non-defaulters were more likely to be married.

The family size of the respondent has been categorized in four ranges; /0 up to 2/, /3 up to 5/, /6 up to 9/ and greater than 9 family members. About 56.7 percent of respondents have /3-5 family members, 22.2% have 6-9 family members, 16.5% were 0-2 family members and only 5% of the respondents have greater than 9 family members (Table 4.1). With regard to number of dependent HH family, having three and more than three dependent family percentage were high in defaulters group than non defaulters group. Households with higher dependent family were more likely to be defaulters (Table 4.1).

In terms of source of finance before loan amounts released Table 4.1 shows that 215(75.5%) of the borrowers in the sample reported source of finance before getting loan. On the other hand, 70(24.5%) i.e., 28(9.8%) of the urban borrowers and 42 (14.7%) of the rural borrowers declared that there are no other source of finance before getting loan from OMF .This result implies that out of total defaulter in Table 4.1 respondent in rural and urban which are 55(62.5%) from total defaulters are no other source of finance before getting loan. As result of this other source of finance have positive relation with loan repayment.

4.1.2. Loan repayment performance

Figure 4.1 Loan repayment and Residences of borrower



Source: survey result, 2014

In this finding the borrower performance is measured in terms of the repayment performance of borrower status. Regarding residence of borrowers, 74% urban non defaulters borrowers which is higher than the corresponding figure (26%) for the defaulters. Moreover, 64 percent and 36 percent of the respondents in rural area were non defaulters and defaulters respectively (figure 4.1). This implies that being rural borrowers is negatively related to loan repayment performance as expected, although the difference in rural and urban defaulters were statistically significant (at p value 0.047).

4.1.3. Individual and Group Lending

Table 4.2. Method of lending, RSD and LR Cross tabulation

Method of lending	LR	Residences of borrower		Total	%Total	X ² -value
		Rural	Urban			
Group borrowers	Defaulter	34(19.1%)	13(7.3%)	47	16.5%	3.973** P < .046
	non defaulter	80(44.9%)	51(28.7%)	131	46%	
Individual borrowers	Defaulter	17(15.9%)	24(22.4%)	41	14.4%	
	non defaulter	9(8.4%)	57(53.3%)	66	23.1%	

**significant at 5%, Sources: Survey results, 2014

As the test statistics shows (Table 4.2) method of borrowing is a significant at 5% level .The result show that for group and individual borrowers there was different result in the defaulter and non-defaulter. On the basis of method of borrowing, 46% group borrowers were non defaulters and 16.5% were defaulters, while individual lending 23.1% were non defaulters and 14.4% were defaulters (Table 4.2). Regarding the loan repayment status of the clients, about 19.1% group respondents and 15.9% of individual respondents in rural were defaulters, while 7.3% of group respondents and 22.4% individual respondents were defaulters in urban area. From this result in terms of loan repayment status group borrowers are better than individual borrowers. This result indicated to ensure repayment, peer pressure and joint liability works very well especially in rural area. (Table 4.2)

4.1.4. Loan related variables

Table 4.3 some determinant variables of loan repayment

Variables	RSD		Timely loan repayment		Total	%total	X ² -value
			Defaulter	non Defaulter			
loan size for intended purpose	Rural	No	45(15.8%)	14(4.9%)	59	20.7%	28.72. (P=0.000)
		Yes	6(2.1%)	75(26.3%)	81	28.4%	
	Urban	No	19(6.7%)	15(5.3%)	34	12%	
		Yes	18(6.3%)	93(32.6%)	111	39%	
Loan diversion	Rural	No	27(9.5%)	0	27	9.5%	12.66.* P<0.021)
		Yes	24(8.4%)	89(31.2%)	113	39.6%	
	Urban	No	12(4.2%)	2(0.7%)	14	4.9%	
		Yes	25(8.8%)	106(37.2%)	131	46%	
Timeliness of loan release	Rural	No	48(16.8%)	31(10.9%)	79	27.7%	33.35** (P<0.000)
		Yes	3(1.1%)	58(20.3%)	61	21.4%	
	Urban	No	13(4.6%)	16(5.6%)	29	10.2%	
		Yes	24(8.4%)	92(32.3%)	116	40.7%	
Frequency of loan collection	Rural	No	46(16%)	27(9.5%)	73	25.6%	39.52* (P<0.000)
		Yes	5(1.7%)	62(21.7%)	67	23.5%	
	Urban	No	18(6.3%)	37(13%)	55	19.3%	
		Yes	19(6.7%)	71(24.9%)	90	31.6%	
suitability of loan installment period	Rural	No	47(16.5%)	44(15.4%)	91	32%	42.92* (p<0.000)
		Yes	4(1.4%)	45(15.8%)	49	17.2%	

Amount of interest rate	Urban	No	23(8.1%)	25(8.8%)	48	16.8%	31.164* (P<0.000)
		Yes	14(4.9%)	83(29.1%)	97	34%	
	Rural	High	35(12.3%)	31(10.9%)	66	23.2%	
		Medium	16(5.6%)	49(17.2%)	65	22.8%	
		Low	0	9(3.2%)	9	3.2%	
	Urban	High	19(6.7%)	23(8.1%)	42	14.7%	
		Medium	16(5.6%)	73(25.6%)	89	31.2%	
		Low	2(0.7%)	12(4.2%)	14	4.9%	
	Saving before getting loan in OMF	No	26(9.1%)	1(0.4%)	27	9.5%	16.06* (P<0.000)
		Yes	25(8.8%)	88(30.8%)	113	39.6%	
		No	21(7.4%)	4(1.4%)	25	8.8%	
		Yes	16(5.6%)	104(36.5%)	120	42.1%	

NB :***=p<0.05,**=p<0.01 ,*=p<0.000 , Source: survey result, 2014

As indicated in Table 4.3 above chi-square test shows that the association between loan repayment(dependent variable) and some variables (loan size, timeliness of loan release, frequency of collection, suitability of installment period, lending rate and saving before loan have become very strongly significant at p value of 0.000,while loan diversion, is significant at p value of 0.021). Some of the variables are as follows:-

Loan Size

As the test statistics in the above shows above (Table 4.3), in terms of sufficiency of the loan amounts released, shows that 192(67.4%) of rural and urban borrowers in the sample reported that loans they received to be sufficient for the purpose they intended. On the other hand, 93 (32.6%) i.e., 59 (20.7%) of the rural borrowers and 34 (11.9%) of the urban borrowers declared that the loan amount they took was not sufficient. This has some implication for loan diversion.

Loan Diversion

The loan diversion statuses of both the rural and urban borrowers are summarized in (Table 4.3). Accordingly, about 27 (9.5%) of rural defaulters used fully or partly of the loan for non-intended purposes, while 14(4.9%) of the urban defaulters used the loan partially or fully for non intended purposes, such as for consumption or purchase of household assets, for medical

expense, for celebrating family festive and other purpose. Hence, these figures imply that higher percentage of loan diversion is reported in the rural area than the in urban area.

The assumption of microfinance involvement is that the provision of financial services, especially loan, is aimed at increasing the welfare and economic situation of its clients by availing adequate finance to engage them in profitable activities. On the other hand, if the loan is used for non-productive activities, such as consumption and purchase of non-productive assets, microfinance intervention will not bring the intended goal, which is poverty reduction.

Therefore, since significant number of rural borrowers used their loan for non-intended purposes, this situation may leads borrowers not to pay their credit. Hence loan diversions have negative impact on loan repayment performance of OMF borrowers. This shows that loan diversion is negatively related to loan repayment performance. The chi -square test shows that there is a significant difference between the rural and urban borrowers in terms of loan diversion at ($P<0.0.021$).

Timeliness of Loan Release

In Table 4.3 above, this study has considered attitude of borrowers towards timeliness of loan release issuance as important variables affecting loan repayment performance. The impact is higher in seasonal loans especially agricultural. In our study time out of interviewed loan officers 60% agreed that the timeless of loan release is one of factors for default. According to the institution regulation, borrowers should get requested amount of money within a month .In this study above a month is considered as delay of loan release timely.

Frequency of Loan Collection

Table 4.3 shows that 157(55.1%) of rural and urban the borrowers in the sample reported the loan collection mode are suitable. On the other hand, 128(44.9%) i.e., 73 (25.6%) of the rural borrowers and 55 (19.3%) of the urban borrowers declared that the loan amount they took loan collection mode are not suitable. The results also showed that the frequency of collection mode coefficient was positive.

Suitability of Installment Period

In Table 4.3 above regarding the opinion of respondents on the suitability of loan installment period, 83(29.1%) of the respondents in urban and 15.8% in rural who consider it as suitable are non defaulters, which is greater than the corresponding figure for the defaulters borrower 14(4.9%) in urban and 4(1.4%) in rural. This is an indication that the variable under consideration is positively related with repayment performance.

Amount of Interest Rate

Another source of risk for MFIs is represented by lending interest rate risk next to default risk (Fikirite, 2011). The sample respondents perceptions on lending interest rate 22.8 rural and 31.2% urban medium interest rate, 108(37.9%) higher interest rate and only 23(8.1%) argue that interest rate is low (Table 4.3). As microfinance institution, OMFI interest rate is low but the clients still demand low interest rate.

Saving Before Getting Loan

Table 4.3 reveals that, saving before getting loan from OMF refers to saving culture of borrowers for future use. According to the survey result 81.8 percent of borrowers have responded that they have saving in OMF before getting loan, out of this 64.2 percent non- defaulters and only 17.6 percent were defaulters, while 18.2 percent of the respondent were no saving before getting loan, off this respondent 1.7 percent were non defaulters and the rest 16.5 percent were defaulters.

For this reason there was significant difference between the non defaulters and defaulters. The chi-square test (X^2) shows the association between loan repayment and saving before loan has become very strongly significant (at p value of 0.000).

4.1.5. Borrowers Reasons for Defaulting

Table 4.4. Borrowers responses on main reasons for default

Reasons For Default	Defaulters	
	Number	%age
Diverting borrowed capital to other	37	42
Loan activity was not profitable	16	18.2
Personal problem (like sick)	12	13.6
Lack of demand for production	9	10.2
Disaster	13	14.8
Family celebration (wedding, birth, etc	1	1.2
Total	88	100

Source: Owen survey, 2014

In (Table 4.4) attempt was made to know the reasons of defaulting. The response from the borrowers indicated that the main reasons for not repaying were; diverting borrowed capital to other (42%) , loan activity was not profitable(18.2%), Personal problem, like sickness (13.6%), lack of demand for production(10.2%), disaster(14.8%) and 1.2% family celebration (wedding, birth, etc)

4.1.6 Respondents' Purpose of Borrowing and Related Activities

Table 4.5 Respondents by LR and the purpose borrowing.

RSD	Sector s	Types of business (purpose of loan)	Defaulters (D)	Non Defaulters	Total (D+ND)	Total sample	
						No.	%age
Rural	AGRICULTURAL (49.1%)	Animal fattening(sheep and goat)	5(29%)	12(71%)	17(90%)	19	5.6%
		bees keeping and honey filtration	6(23%)	20(76.9%)	26(84%)	31	9
		fertilizer and basic seed purchase	10(43.5%)	13(56.5%)	23(92%)	25	7.4
		milk and milk product	12(50%)	12(50%)	24(69%)	35	10.3
		Vegetable and fruit	3(17%)	14(82%)	17(77%)	22	6.5
		farm oxen purchase	15(45.5)	18(54.5%)	33(83%)	40	11.8
Urban	COMMERCIAL (33%)	Ballitina	7(53.8)	6(46.1%)	13(81%)	16	4.7
		Street or road trade (Gulliti	2((20%)	8(80%)	10(91%)	11	3.2
		shop and container	5(19.2)	21(80.8%)	26(87%)	30	8.8
		selling serials	0(0%)	8(100%)	8(89%)	9	2.7
		backing ingera and selling	2(12.5)	14(87.5%)	16(80%)	20	6
		Garment and textile, and weaving	3(17.6%)	17(85%)	20(95%)	21	6.2
	ENTERP RSe	Constriction	4(50%)	4(50%)	8(80%)	10	2.9
		woodwork and metal work	6(31.6%)	13(68.4%)	19(86%)	22	6.5
	SERVICE (8.4%)	Barber and beauty salon	3(27.3%)	9(81.8%)	11(100%)	11	3.2
		computer maintenance andcopy	2(66.7%)	1(33.3%)	3(75%)	4	1.2
		Tea and coffee	3(42.9%)	4(57.1%)	7(88%)	8	2.4
		local food preparation	0(0%)	3(100%)	3(60%)	5	1.5
		Total	88	197	285(84%)	339	

**Significant at 5% level:

Source: survey result, 2014

As shown above (table 4.5,) borrowers of OMFI are engaged in various business activities. Those activities are divided into 4 sectors, agricultural, commercial, Enterprise and service sectors which accounts 49.1%, 33%, 9.5% and 8.4% from the total respondent respectively. Type of business the borrowers engaged have no significant effect on loan repayment. The result shows that With respect to the purpose for which loan was taken, majority of borrowers are engaged in agricultural sectors next to trade sectors. In (Table 4.5) large numbers of borrowers involving in rural were ; farm oxen purchase (11.8%), milk and milk product (10.23%), bees

keeping and honey filtration (9%) and fertilizer and basic seed purchase 7.4% ,while in urban areas borrowers are involving shops and container (8.8%), woodwork and metal work(6.5%), Garment and textile, and weaving (6.2%), backing injera and selling (6%) and Ballitina (4.7%).

To observe that all purpose of borrowing has some association with loan repayment performance, (Table 4.5) is constructed from the survey data. Accordingly, 100% of those who borrowed for the purpose of selling cereals and local food preparations were non-defaulters. In the rest of business activities more than 60% of the borrowers have repaid their loans except those who used the loan for purchasing fertilizer and basic seeds, milk and milk product, farm oxen purchase, Ballitina and Constriction. This indicates that purpose of borrowing may not have a significant implication on the loan repayment performance of borrowers. Actually, loan financed to agricultural output purchase (purchase of fertilizer and basic seeds), this could be an issue for further study in future research.

Size of land holding in hectors

Table 4.6. Size of farm land in hector and loan repayment of borrower Cross tabulation

RSD	LR status	No farm land	<0.6 hectors	0.6-1 hectors	1.1hr-2 hectors	3-6 hectors	>6 hectors	X ² value
Rural	Defaulters	8	14	21	6	1	1	4.01** P<0.000
	Non	3	7	9	12	32	26	

Significant at 5% level

Source: survey result, 2014

It was one of economic factors, which positively affected loan recovery of borrows (significant at 5% probability level). Each additional hectare of land holding increases the probability of being non-defaulter decreases (Table4.6). Therefore, having larger size of land enhances a borrower's capacity to repay his/her loan timely. This is consistent with the study result of ,(Belay,2002 and Jemal,2003). Land size affected loan repayment performance positively and significantly. This is due to the fact that those borrowers with larger land size earn more income from agricultural activities, which in turn helps them in loan repayment. The

chi-square test(X^2) shows the association between loan repayment and farm land size has become very strongly significant at (p value of 0.000).

4.1.7. Internal and External Challenges of Institution

Figure 4.2. Institutional Factors by respondent

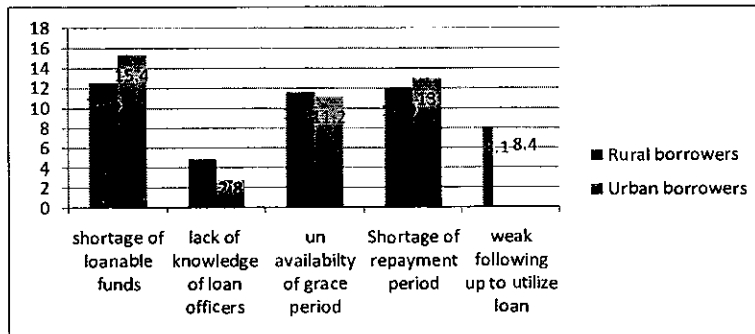


Figure 4.2 reveals, the selected respondents identified many problems that hinder the loan repayment process on lender side. The most frequently listed problems are the following:-

- ☛ shortage of loan able fund (Rural and urban 12.6% and 15.4% respectively),
- ☛ lack of knowledge of loan officers (Rural and urban 4.9% and 2.8% respectively),
- ☛ Un availability of grace period(Rural and urban 11.6% and 11.2% respectively)
- ☛ Shortage of repayment period(Rural and urban 11.9% and 13% respectively)
- ☛ Weak in following up to utilize loan (Rural and urban 8.1% and 8.4% respectively),

The above listed problems are some of challenges that reduce the performance of institution in general.

The explanation from in interview to strengthens the above response as follow:

*According to **Branch manger** currently OMFI has facing internal and external problems. Some of internal problems are:- shortage of supervision and monitoring ,Poor documentation, insufficient working area ,shortage of loan able funds for further expansion and high turnover of employees' to other organizations. In addition to this some external problems like; government collateral for job creating opportunity, interference of third party in the decision of loan approval and borrowers un willingness to repay.*

*According to **Sub Branch mangers** the most typical challenges faced by any microfinance institution are;- activities in the institution are done manually or without available computer access, no enough employees in the institution mainly in loan department, borrowers think the loan as government gift and giving false certification for borrowers in kebeles level(without considering the ability to pay)*

***Loan officer** say that <<In my opinion one of the factors which affect loan repayment performance is lack of motivation of workers. I am working in this office more than three years in my stay time; there is no salary improvement as well as scholarship chance. Even if this institution do not apply BSC, so our future is not good. So we are not volunteers to collect and provide service according to standards, no measurement at all. In addition to this no training is given by the institutions and work load on employee. During my supervision time some borrowers believe loan as gift of government, have no plan to repay and they ask loan without lending interest rate>>.*

4.2. Econometric Analysis and Results

Loan repayment is dependent variable which is begins by adding independent variables in to categorical variable list in SPSS version 20.0 and coded on the date set for 0 and 1 for dummy variables. The study insure that independent variable is categorical variables is declared in this analysis. In addition for continuous variables the researcher considers the first choose as first reference and the last choose in last reference

4.2.1. The Goodness-of-Fit Model

The binary logit model results revealed that micro finance loan repayment performance was determined by the interaction of different demographic socio-economic factors, borrowers related factors and lender related factors.

Table 4.7 Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	276.805	19	.000
	Block	276.805	19	.000
	Model	276.805	19	.000

From above Table 4.7 to test the measure of goodness of fit in logistic regression analysis, the chi-square was computed and showed that the model was significant at 1% significance level. Consequently, the null hypothesis stating the coefficients of independent variables to be equal to zero was rejected and the alternative hypothesis of non-zero slope was accepted. The value given in the Sig. column is the probability of obtaining the chi-square statistic given that the null hypothesis is true. In other words, this is the probability of obtaining this chi-square statistic (276.805) if there is in fact no effect of the independent variables, taken together, on the dependent variable. This is, of course, the p-value, which is compared to a critical value, perhaps .05 or .01 to determine if the overall model is statistically significant. In this case, the model is statistically significant because the p-value is less than 5 % (Table 4.7)

Table 4.8 classification table (A&B)

A) Classification Table^{a,b}

Observed			Predicted		
			Timely loan repayment		Percentage
			0.00	1.00	Correct
Step 0	Defaulter 0.00		88	0	.0
	non Defaulter 1.00		197	0	100.0
	Overall Percentage				69.1

a. Constant is included in the model

b. The cut value is .500

B) Classification Table^a

Observed			Predicted		
			Timely loan repayment		Percentage
			0.00	1.00	Correct
Step 1	Defaulter 0.00		82	6	93.2
	non Defaulter 1.00		6	191	97.0
	Overall Percentage				95.8

a. The cut value is .500

The other measure of goodness-of-fit in the logistic regression model was checked by observing the value in the prediction table to verify whether the model correctly predicted it or not. The fit is said to be good if the overall correct prediction rate exceeds 50% (Shewhart and Wilks, 2013). Classification table is a simple tool which indicates how good the model is at predicating the outcome variables. To characterize our model as use full, to compare the overall percentage accuracy rate produced SPSS version 20.0 classification table at step"0" and at step"1" or over all %(Table 4.8). Accordingly, the result indicated that the overall accuracy rate computed by SPSS at step"0" was 69.1% and the accuracy rate computed by SPSS 20.0 at step"1" was 95.8% were correctly predicted at the cut value of 0.5; and overall, (above Table 4.8) . Hence, the

criteria for classification accuracy are satisfied. Generally, the higher the overall percentage of correct predictions in this case 95.8percent shows the fitted binary logistic regration model.

4.2.2. Test for Multi Co Linearity

To study on determinants of microfinance loan repayment performance access to loan repayment, data gathered from 339 borrowers were subjected to binary logistic regression analysis. The statistical software used for analyzing the data was SPSS 20.0 for windows. Prior to running the logistic regression model, explanatory variables were checked for the existence of multi-co linearity problem.

The term Multi co-linearity indicates the existence of association between two or more of explanatory variables. This association level might be nil that can be ignored or high that significantly affects the estimation of the parameters. If Multi co-linearity is perfect, the regression coefficients of the independent variables are undetermined and their standard errors are immeasurable. If Multi co-linearity is less than perfect, the regression coefficients, although determinate, possess large standard errors, which mean the coefficients cannot be estimated with great precision or accuracy (Gujarati 2003)

In this study, as shown in (Appendix 2) the correlation Matrix which is made among the independent variables reveal that the slight existence of Multi co-linearity problem. Multi co-linearity problem is occurred when the explanatory variables are highly correlated with each other. In the correlation matrix it is indicated that there is a little evidence for Multi co-linearity problem.

A serious problem for Multi co-linearity is occurred if the correlation is about 0.8 or larger (Gujarati 2003). Also as stated in Brooks (2008), zero correlation among explanatory variables is not occurring in any practical work. Thus, even though there is some indication for the existence of correlation among the explanatory variables, it does not have a great effect on the accuracy. As indicated in (Appendix 2) the only coeffieient above 80% is existed between RSD and DIS. To handle this problem among these variables, the study uses the only RSD independent variables. By having avoiding higher Multi co-linearity variable DIS (borrowers distance from institution) for the independent variables, it is possible to make less problematic for the Multi co-

linearity among the independent variables. The Multi-co-linearity of the other independent variable are below 0.50 and it can be confident to say there is no significant Multi co-linearity since any of them are not above the conventional 80 percent.

4.2.3. Model Output

In the preceding section, variables characterizing the loan repayment performance and their differences among the defaulters and non-defaulter were identified. However, in the binary logistic model analysis, we emphasize on considering the combined effect of variables between defaulters and non defaulters borrowers in the study area. A p-value of less than 5% was declared as significant statistical relationship between dependent (loan repayment) and independent variables. All variables associated with loan repayment in binary logistic regression with value of ($P < 0.05$), $P < 0.01$ and $P < 0.1$.

The estimated of binary logit model are shown below in Table 4.9. A total of 12 explanatory variables were considered in the economic model. Out of these eight of the variables were found to be significant at 5% significant level, while the remaining four were not significant in explaining the variations in the dependent variable. Age, sex, educational level, method of lending, other source of income before loan, suitability of installments period, loan size and timeliness of loan release included in the model were found to be statistically significant.

However, the remaining four explanatory variables namely, family size, residence of borrower, distance from institution and frequency of collection had no significant effect on the probability of being defaulter (Table 4.9).

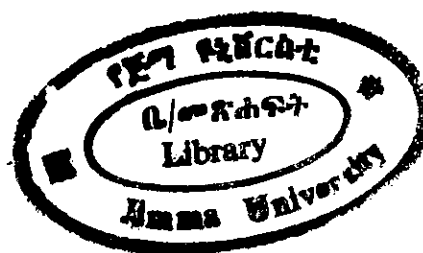


Table 4.9 The estimates of binary logistic model and the effects of explanatory Variables on the loan repayment performance on selected variables

Variables	Coefficients (B)	Characteristic	D	%age	ND	%age	p-value	Statistical Significance
								Crude OR (95% CI)
Sex	1.799**	Female	33	11.6	55	19.3	Ref.	1.000
		male	55	19.3	142	49.8	0.021	8.065(1.3751,47.297)**
AG	1.943***	18-29	57	20	24	8.4	Ref.	1.000
		30-39	23	8.1	104	36.5	0.000	2.2739(5.568,20.712)***
		40-49	5	1.8	44	15.4	0.000	2.5386(7.382,59.172)***
		>50	3	1	25	8.8	0.002	2.901(5.453,71.829)***
	1.360***	can't write and read	38	13.3	51	17.9	.238	1.000
EDL		Grade 1-8	35	12.2	32	11.2	0.000	3.3(0.360,1.289)***
		Grade 9-12	9	3.2	57	20	0.036	4.719(2.081,10.703)**
		Certificate	5	1.8	44	15.4	0.032	6.557(2.374,18.109)**
FSZ	-0.793	Above diploma	1	0.4	13	4.6	.032	9.686(1.214,77.291)**
		0-2family	9	3.2	37	13	Ref.	1.00
		3-5family	23	8.1	87	30.5	0.822	0.788(0.099,6.294)*
		6-9 family	40	14	48	16.8	0.054	0.127(0.016,1.036)*
RSD	-1.078	>9 family	16	5.6	25	8.8	0.384	0.303(0.021,4.438)*
		Rural	51	17.9	89	31.2	Ref.	1.00
		Urban	37	13	108	37.9	0.722	0.550(0.020,14.864)*
OSFNC	-2.391***	NO	55	19.3	15	5.3	Ref.	1.00
		YES	33	11.6	182	63.8	0.000	6.148(3.433,75.964)***
DIS	-0.040	>5Km	53	18.6	96	33.7	Ref.	1.00
		< 5Km	35	12.28	101	35.4	0.857	1.307(0.071,24.027)
LSZ	2.939***	NO	64	22.5	29	10.2	Ref.	1.00
		YES	24	8.4	168	58.9	0.000	5.448(8.371,28.509)***

TmLrele ase	2.557***	NO	61	21.4	47	16.5		1.00
		YES	27	9.5	150	52.6	0.007	7.210(4.122,12.612)***
SIP	2.049***	NO	70	24.6	69	24.2		1.000
		YES	18	6.3	128	44.9	0.001	7.214(3.979,13.079)***
MOL	-2.391***	Group	47	16.5	131	46	Ref.	1.000
		Individual	41	14.4	66	23.1	0.000	0.578(.346,0.964)***
FreqCol n	0.991	No	64	22.5	64	22.4	Ref.	1.00
		Yes	24	8.4	133	46.7	0.144	2.612(0.720,9.472)

Source: Computed from the field survey data, 2014

Number of Obs. =285 ,df= 19 , -2Log Likelihood 75.521,

***, **and * represent level of significant at 1%, 5% and 10% respectively.

N.B .Ref. = Reference group, D=defaulters, ND= non-defaulters

Sex

The economic model result revealed that being male borrowers increase the probability of non defaulter (crude Odds ratio (COR) 8.065, 95% CI=1.3751, 47.297) by 8.1times more likely to repay than female borrowers. The reason behind this is that male borrowers have better understanding in loan repayment, this enabling them to pay loan than female. This variable is significant at 5% level and is not consistent with the prior expectation. The result supported by the finding of Fikirite(2011) in Addis Ababa male are twice more likely to pay loan than female), the difference in value is, this study finding included rural female borrowers, hence urbanization and related factors may differ value. In addition Bahata and Tang (2002) they reported men were most likely to repay than female, but the study oppose the result of Jemal (2003), in his study the number of women being served particularly in the rural parts of the district is very small.

Age

(Table 4.9) the survey results show that 127(44.6 percent) of the respondents are age 30-39 years, 81(28.4 percent) were age group 18-29 ,49(17.2 percent)were age group 40-49 and the remaining 28(9.8 percent) were age group above 50 years old.

From (Table 4.9) the majority of borrowers are young people. Age of the borrowers' was found to be as expected, as positive impact on loan repayment, which means as age increased, the probability of being defaulter is decreased (Table 4.9).

The binary logistic result shows that age greater than 30-39 years old pay their loan 2.3 times more likely to repay than age group 18-29 years of borrowers by COR 2.2739, 95%, CI (5.568, 20.712) (Table 4.9). This variable was significantly influence on the loan repayment performance at 5% level of significant. The result is in line with the study made by Godquin (2004) and Amare (2005) these finding result were positive impact, but oppose Jemal (2003) and Fikirite (2011), finding age have negative impact on loan repayment. The positive relation implication is that the borrowers were becomes elder, they might be wealthy and they feel responsibly. Also expected that social tie and other benefits such as, information-sharing increase with the age of the borrower increases.

Educational level

In terms of educational level, (Table 4.9) about 89 (31.2 percent) of the respondent have never attend school or illiterate, while the remaining 196 (68.8 percent) of respondent were literate (See table 4.9).

The study found that borrowers attended grade 9-12 class (COR, 4.719, 95%, CI (2.081, 10.703) were 4.7 times more likely to repay loan than illiterate or decreasing the probability of default. Attending grade 1-8 attended borrowers pay their loan 3.3 times more likely to repay than illiterate borrowers by COR 3.3 (0.360, 1.289). This variable was significantly influence on the loan repayment performance at 5% level of significant. From this result literate borrowers are better performance of loan payer than illiterate and also the result shows attending the level of education is increased, the default might be decreased. The findings in this study on the sign of level of education were consistent with that reported by Mengstu (1997).

Other source of Finance

Availability of other sources of finance has been included in the estimation and it was found to be positively related to loan repayment performance, consistent with prior expectation. (Table 4.9) reveals that 215 (75.45%) of the respondents have income before getting loan from OMF,

while the remaining 70(24.6%) have no source of other finance before getting loan, Out of those 55(62.5%) were defaulter; while respondent with other source of finance were only 33(37.5%) were defaulters. Hence the result shows that other source of finance have related with loan repayment positively. The economic model result revealed that borrowers have source of finance before loan was 6 times more likely repay loan than borrowers without finance source by COR, 6.148,95% ,CI(10.237, 39.947).This finding is consistent with the finding in (Jemal,2003 and Fikirite,2011)

Loan size

As shown in (Table 4.9) 192(67.4%) of the respondent loan is sufficient for intended purposed, while 93(32.6%) the respondent loan size is not sufficient. In addition to this respondent perceive that the loan size is too small, small, medium and large were 80(28.1 %), 89(31.2%), 112(39.3%), and 4(1.4 %) respectively. The odds ratio favoring access to non defaulter borrower increases by a factor of 5.488 for borrowers who have get enough loan size for intended purpose than who have get less loan size by COR 5.488 ,95% ,CI(8.371,28.509). The result shows that loan size have positive relationship with loan repayment performance .From this study respondent borrowers who enough loan size were pay their default .Practical the loan size is smaller than requested amount for intended purpose ,it leads to diversification of loan to other purpose. The variable was positively and significantly affects the repayment performance at 1% level, consistent with prior expectation. The finding of this study is in line with (Jemal, 2003).

Timeliness loan release

This studies have considered attitude of borrowers towards loan repayment and timeliness of loan release issuance as important variables affecting loan repayment performance. (Table 4.9) above reveals that 177(62.1%) of the respondent get the loan timely i.e.(the application date up to approval of loan is <1 month) ,while 108(37.9%) respondent get loan >a month after application or request of loan to institution. The study found that borrowers get loan with in <1 month 7.2 times more likely to repay their loan than borrowers get loan >1 month by (COR 7.210, 95%, CI (4.122, 12.612).The variable is significantly affect the repayment performance at 1% level. The impact is higher in seasonal loans especially agricultural loans. According to the institution regulation borrowers should get requested amount of money within a month .In this

study above >1 month consider as delay of loan release. Hence it was found to be positively related to loan repayment performance, consistent with prior expectation.

Suitability of installments period

As shown in Table(4.9) regarding perception of suitability of installment period 128(80%)% of the respondents who consider suitable installment period were non defaulters, which is greater than the corresponding figure for the defaulters borrower 70(50.4%), which is a significant difference at the 1% level.. This is an indication that the variable under consideration is positively related with repayment performance. The economic model result revealed that borrowers who perceive the installment period appropriate (COR 7.214, 95%, CI (3.979, 13.079) was increases non defaulter rate by factors of 7.21 times for suitability of installment period than who perceive the period was unsuitable. It is expected that borrowers who find the repayment period suitable, perform better. From this study out of 140 rural respondent 73(52 %) prefer repayment period on farm time ,while in case of urban out of 145 respondent 82(56.6%) were prefer monthly installment period because most of them are engaged in short term revenue generation activities. This implies that suitable installment period have positively related with loan repayment performance. So the result is consistent with prior expectation hypothesized.

Method of lending

Table 4.9 above reveals that from 178 the total sampled respondent of group borrowers, 138(73.6%) are non defaulters while out of 107 respondent of individual borrowers 66(62.7%) were non defaulters, the remaining 44(38.7%) of individual borrowers were defaulters. Method of lending has been included in the estimation and group borrowers was found to be positively and significantly affected loan repayment performance of borrowers at 1% probability level, consistent with prior expectation. The finding shows individual borrowers are 42.2 % less likely to repay loan than group borrowers by COR 0.578, 95%, CI (.346, 0.964) or increase the probability of non defaulter by 57.8 percent. .This variations may be due to strong follow up of group leaders and social norms. Therefore, they may put social sanction on the defaulters within the group and enforce them to repay loan. The result indicates social norm that governs the group members' .Therefore, group lending has a positive impact on loan repayment.

This result is agreed with the result of Amare (2005) in his finding in Northern Gondar being group borrowers increase the probability of non defaulter by 51.75% than individual borrowers. In addition result is in line with the finding of Che, (2002) and Fikirite(2011) finding in Addis Ababa. In group lending programs the functional of screening, monitoring and enforcement of repayment are totally larger extent transferred from the lender to the borrowers' group members. Therefore group lending might be the reason for better repayment performance of borrowers. The Sign of variable were not consistent with prior expectation.

CHAPTER FIVE

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. Summary of Key Findings

Nowadays the prevalence of poverty has become a critical challenge of many societies in developing countries. In Ethiopia poverty is severing which has left millions of people out of the basic need of survival in rural and urban areas. The availability of financial services plays an important role in creating self-employment opportunities for the majority of low income population. Limited access to financial service is also aggravated by poor performance of loan repayment. The major problem of the poor performance of financial institutions in many third world countries is high rate of non-repayment of loan.

In this study attempt was made to look into the factors that determinant the repayment performance of micro finance borrowers and to evaluate non defaulters and defaulter's borrowers in the institution. Moreover it assessed the impact of the loan repayment on the performance of OMF and sustainability of the institution. The present study was intended to identify and analyze the determinants of loan repayment performance of borrower in Kaffa Zone.

A total of 339 loan beneficiaries were including in this survey. This study was intended to identify the determinants of loan repayment performance of Kaffa zone Omo microfinance institution. Data obtained from the respondents through questionnaires and interview. Both descriptive statistics and econometric analysis were carried out to accomplish the above-listed tasks.

The descriptive statistics show that the following major findings: the borrowers includes in the sample are more of male than female. The proportion of female respondents in the rural sample is (17.1%), while in urban sample (44.1%). This indicates that little is done on the part of the institution in terms of woman empowerment, particularly in the rural areas, even if the gender sensitivity of rural female participation is less than the regional level OMO participants of female (38%). The proportion of youngsters (18-29 age years) in the defaulter group was more than in

non-defaulter groups. It is indicated in the study that the officials in the OMF were studied in terms of their positions. Accordingly, two managers, two head of core processor and three loan and saving officers of institution were interviewed.

According to respondent educational back ground 31.2 percent are illiterate. Out of the total respondents 26.7 percent of married respondents were high in non-defaulters group than defaulters group, whereas, the number of single (unmarried) was higher in defaulters compared with married respondent. In terms of residence of borrower rural respondent in the sample were 49.1 percent and 50.9 percent were urban respondent.

About 35.8 percent of the respondents reported that 3-5 family members per house hold and 21 percent of the respondent have no independent family in their household. Borrowers who have source of income before loan were more in non defaulter group than defaulter group.

According to descriptive result 49.1 percent of borrowers engaged in agricultural sectors borrowing and the remaining in commercial, enterprise and service.

Most of borrowers' (6-11 percent) respondents were purpose of borrowing in farm oxen purchase, milk and milk product, shop and container, bees keeping and honey filtration, woodwork and metal and backing 'injera' and selling. The majority of respondent borrowers who participated in group borrowing were non defaulter than individual borrowers.

Regarding to loan size 67.4 percent respondent get sufficient loan for intended purpose, while 32.6 percent were not get suffice loan amount. The less amount of loan push the borrower to diverted the intended purpose. Specifically, loan diversion was found to be one of the important and significant factors influencing loan repayment performance negatively, which means it increases default significantly.

54 percent respondent recognize the amount of interest charged on loan is medium, while from defaulter respondent 61.4 percent assume interest rate higher, but only 27.4 percent of non defaulter consider interest rate is high. Hence from this interest rate has negative impact on loan repayment performance.

More than half of respondent reported that the installment period is suitable. Furthermore, 62.1% respondent reported that loan was released timely i.e. application date to approval of loan less than a month.

The majority of respondent 81.8 percent were source of finance before loan and saving some amount of money in the institution. This all above mentioned were positive factors that increase the number of non defaulters and reduce defaulting rate.

Some factors also affect loan repayment positively and significantly .such as regarding to the livestock availability of respondent 69.5percent have own live stock, out of this 90 percent of them were rural borrowers'. Farm land size is the other factor. This is the fact that a borrower with more land size earns more income from agricultural activities, which helps them in loan repayment.

In this study respondents were identifying the major challenges that hinder the repayment performance process in both lender and borrower side. Those are unavailability of grace period ,shortage of loan repayment period ,insufficient loan size ,informal lenders and weak following up to utilize loan. In addition to this there are internal and external factors the institution faces, some of them are: - lack of Owen office, turnover of employee, shortage of cash fund and improper influence of the third part in loan disbursement and approval are major ones.

Table 5.1 below shows that Comparison of the studies that were conducted with various researchers on similar area of study was presented below. The justification part of this study address that findings are still debatable among different researcher. Hence we looking at the determinants of loan repayment there seems to be a disagreement in the findings (sign), in some variables are as follows:

Table 5.1 Comparison of findings on determinants of Loan Repayment Performance from Various studies

Authors	Study area	Model used	Sample Size	Findings on the variables used (sign and significance)											FreqCo ln
				SX	AG	EDL	OSFNC	FZS	MOL	RSD	LSZ	DIS	SIP	TmLrel	
Gebeyehu (2002)	Zeway	Tobit Model	154	+		-		+			+				
Reta(2011)	Addis Abeba	Binary logit	200	+	-*	-		-*							
Mengist (1997)	Hawasa and Bahir Dar	probit	757=(352H)&(409BD)	+ a&b	+* a	+ a&b	- b				- a&b		+* a&b		
Abafita (2003)	Kayu	probit	203	-	+*	+*	+*	-			-*		+*		
Fitsum (2014)	Bonga	Binary logit	339	+*	+*	+*	+*	-	-*	-	+*	-	+*	+*	+

N.B. Hawasa =a and Bahir Dar=b
* shows significant of variables

5.2 Conclusions

Based on the analysis of made in chapter four, the following conclusions are made on socio demographic characteristic of borrowers, loan repayment related factors and institutional related factors were as follows :-

The finding of this study has shown that men clients benefited more than women, which is agents the policy objective of institution.

The regration analysis reveals that age of the beneficiaries of loan is also significant determinants of loan repayment performance. The elder borrowers have take responsibility to repay their loan than younger.

The findings in respect of educational level can be concluded from the result that, as educational level increases riskiness of loan repayment decreases. Especially borrowers with higher educational level are most likely to become low defaulters. One possible reason that could be given for better repayment performance by this group of borrowers is the comparative advantage they have in their business opening and operation by applying their technical know-how from their formal education back ground. So there is a need for a continuous supervision on loan utilization and training so as to reduce both the problem of using loan for non intended activities as well as lack of skill observed because of the wide-scale illiteracy (particularly in the rural areas 38%).

The other significant determinant that was found to undermine the repayment performance was loan size .Repayment is highly influenced by too small loan size at the time of approval and also with a short repayment period. The size of loan approved by OMFI is decided based on many factors, primarily on the basis of the experience of the borrower, treasure of institution, variation of loan size in residence of borrowers and business plan offered by the borrower. This will limit the access to the loan required for the sought business, even though it is mostly within the MFIs' credit range. Subsequently this will lead to limited operation size and lower return in business activity, which possibly leads to default. Therefore, OMFI should provide loan, through business plan, extend reasonably sufficient amount of loan .However, loan size increment, will probably

lead to possible delinquency or default if not accompanied by longer credit duration and grace period and proper follow-up.

Some factors like, suitability of installment period and frequency of collection should be appropriate for loan repayment performance of clients. From the regression result both variables are strongly significant relationship with loan repayment. Hence the institution gives attention to this area. In addition institution should provide timely loan release, according to rules and regulations of the institution.

In the method of lending of OMF individual lending borrowers have performed worse loan repayment performance than group borrowers. Moreover, the percentage of individual defaulters was higher than group defaulter borrowers. So the institution should give special attention on the in the individual lending. The cumulative effect of method of lending has negatively and significantly relationship with loan repayment.

Furthermore, lender and borrower related factors which are responsible for inability of borrowers to fulfill their repayment obligations. These include unwilling to pay, lack of appropriate working place, internal and external factors that affect the both parties.

Finally, the regression result shows that sex, age, education, timeliness of loan release, other source of income, loan size, suitability of installments period and frequency of collection period have positively related with loan repayment, whereas family size, residence of borrower, distance of borrowers from institution and method of lending have negative relation with loan repayment.

5.3. Recommendations

5.3.1. Borrower Concerned Recommendations

- ☞ Recommended that borrowers should keep and respect social norm that governs the group members.
- ☞ It is recommended that borrowers should develop good relationship with micro finance ,for getting next higher loan
- ☞ Default borrowers face serious consequences, at the time of default, outstanding interest is increased, resulting in a loan balance that is higher than the amount borrowed. I recommend that better to repay timely.

5.3.2. Lender Concerned recommendations

- ☞ The younger aged group has more defaulters compared to other. It is not recommended to exclude the young age groups but the institution should give special attention to those borrowers by providing awareness creation training, continuous follow up and supervision. It have positive impact for loan repayment
- ☞ Education levels have positive impact on loan repayment. Literate borrowers are better loan repayment rate than illiterates .Such borrowers did not receive formal education and are likely to have inadequate knowledge of loan acquisition and management, thereby making them unable to repay the loans, institution should provide short and long term awareness creation training with especial attention to rural clients and also include in strategic plan continuous supervision, monitoring and evaluation system.
- ☞ OMFI should provide sufficient amount of loan to intend purpose, through making feasibility analysis and based on business plan, extend reasonably sufficient amount of loan. Because most of the time small amount of loan leads to default, borrowers diversify the capital to other low capital acquiring project without feasibility study and plan. Thus, it is recommended that MFIs should further increase the loan size.
- ☞ The institution should improve loan repayment rate and also participation of women in large, because this contradicts the very objective of OMFI. The empowerment of women is one of its objectives, "supporting female means supporting the entire family".
- ☞ I recommend that the institution better to revise loan installment period and expand collection period ,so some loan financed activities require more than a year to get a return from

investment and others may require short period to get return on investment, a flexible repayment period should be designed in order to improve the existing default rate such as;- for agricultural loan on farm time(November to February).

- ☞ In method of lending, group borrowers are less default rate than individual borrows .Thus, the institution better to focused on proper screening before loans are granted to borrowers.
- ☞ I recommend that to reduce turnover of employee the institution better to provide incentives like, scholarship, bonus and like.
- ☞ Lastly, the institution should focus on the repayment challenges which are stated by the borrowers and take corrective actions. In order to solve the internal and external problems of the institution, the main thing might be improve the financial capacity of the institution, increase loan size and expand the services. Taking the recommendation in to consideration Omo micro finance institution should strive to increase the loan repayment rate of the borrower

5.3.3. Government Concerned Recommendations

- ☞ To reduce default rate educational level has one of contributing factor. I recommend that to reduce problem of loan utilization and default rate, government should provide youth education at all kebeles level.
- ☞ I recommended that government should provide training guidelines for the access and utilization of MFI loan services.

5.3.4 Recommendations for Further Study

Further study should be needed for more investigation on method of lending impact on loan repayment performance and the impact of borrowing purpose in loan repayment performance is recommended to validate the consistency of my results.

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ANNEX A

JIMMA UNIVERSITY
COLLEGE OF BUSENESS AND ECONOMICS
MSC PROGRAM IN ACCOUNTING AND FINANCE

**I. Quantitative Questionnaire (English) To Be Filled By OMF Beneficiaries
CONSENT FORM.**

MY NAME IS **FITSUM TADELE** I AM A PART OF RESEARCH WORK TEAM OF JIMMA UNIVERSITY. THIS RESEARCH WILL ASSESS THE DETERMINANTS OF MICRO FINANCE LOAN REPAYMENT PERFORMANCE. YOUR RESPONSE TO THIS QUESTIONNAIRE WILL SERVE AS SOURCE OF INFORMATION TO THE RESEARCH PAPER TO BE DONE FOR THESIS PURPOSE. ANY RESPONSE YOU PROVIDE HERE IS STRICTLY CONFIDENTIAL AND WILL BE USED EXCLUSIVELY FOR THE RESEARCH PURPOSE. YOUR HONESTY IN RESPONDING THE RIGHT ANSWER IS VITAL FOR THE RESEARCH OUTCOME TO BE RELIABLE.

THANK YOU!!!

QUESTIONNAIRES TO BE FILED BY OMFI's BENEFICIARIES

PART A: Socio-Demographic Characteristics

A-1 .Sex of borrower's _____ ☐ Male ☐ Female

A-2 .Age of borrowers': _____

A-3. How many years of school have you completed? _____

A-4. Marital status: ☐ Single ☐ Married ☐ Widowed ☐ eparated

A-5. Total Family size) _____ ☐ Age 1- 18 Male ____ Female ____ ☐ Age 19- 30 Male ____
Female ____ ☐ Age 31- 55 Male _____ Female _____ ☐ Age 56 and above Male ____
Female _____

A-6. Head of the Household: ☐ Male ☐ Female

A-7. How long have you been a member of the microfinance institution? Month.....year.....E.c

A-8. How many persons in your household (those who are live together with you and share the same food at least once in a day?

☐ Children less than 17 years of age/younger; Male _____ Female _____

☐ Adult above 18 years of Age or older Male _____ Female _____

A-9. How many persons in your household are working engaged in work that earns income or products? _____

A-10. Is your business and Residence place similar? ☐ Yes ☐ No

A-11. Reidance of borrower: 0) Rural ☐ 1) Urban ☐

A-12 Method of lending :0) Group ☐ 1) individual ☐

PART B: Loan and Loan Repayment Related Questions

B-1. Did you have other source of income (cash income) before joining the loan program?

☐ Yes ☐ o

B-2. If your answerer in B-1 is, yes, what is/are your sources of finance?(multiple Answers are possible)

<u>Source</u>	<u>Annual Income</u>
☐ From Agriculture	_____
☐ From Trade	_____
☐ From monthly salary	_____
☐ Other (specify)	_____

B-3. Do you have saving in OMFI before getting loan? : ☐ Yes ☐ No, if your answer is yes how much _____

B-4. For what purpose do you save?: ☐ to expand business ☐ For acquisition of Agricultural inputs like, fertilizers ☐ for HH consumption ☐ for participating in micro and small scale program ☐ to pay school fees ☐ others(specify) _____

B-5. Why do you borrow from Omo microfinance?

☐ To repay other debts ☐ to improve or expand business ☐ to open a new enterprise
☐ To purchase agricultural inputs and improve the quality of existing products ☐ other (specify) _____

B-6. From question B-5. if you borrow for purchase Agricultural input, for what input?

☐ Fertilizer purchase (Dap and urea) ☐ oxen purchase ☐ goat or sheep purchase
☐ other (specify) _____

B-7. How much far from your home to the institution? 0) <5km ☐ 1) > 5Km ☐

B-8. Do you believe the loan issued timely? (Less than 1 month timely otherwise not)

☐ Yes ☐ No,

B-9. If your answers to B-9 'No' how do you evaluate the loan procedure time used by OMFI?

☐ Too long ☐ Long ☐ medium ☐ Short ☐ Very short

B-10. How much money did you receive in loan from Omo microfinance?

	Round 1	Round 2	Round 3	Above around 4
Year				
Amount of loan				

B-11. Was the loan size you obtained from OMF sufficient to undertake for the purpose intended?

☐ Yes ☐ No, if your Answer is 'No' what was the amount you requested? Birr _____

B-12. The loan size you obtain from OMF is

☐ Too small ☐ Small ☐ Fair Large ☐ Very large

B-13. If your answer for B-13 loan is too small or small what solution do you take?

☐ Borrow from informal financial sectors (Iddir or equb)
☐ Borrow from formal banks ☐ Borrow from relatives and family

☐ Others (specify) _____

B-14. Do you spend the entire loan for running your business according to loan agreement?

☐ Yes ☐ No

B-15 If your answer to B- 16 is 'No' for what purpose you spent? (Multiple answers are possible)

Purpose

Amount spent in Br

☐ For house hold consumption

☐ For health Care

☐ For wedding ceremony

☐ Other (specify)

B-16. Did you repay loan to OMFI's? ☐ Yes ☐ No

B-17. If your answer to B-18 is 'yes' what is your repayment status?

A. Fully repaid: ☐ on time ☐ too late

B. Partially repaid: ☐ on time ☐ too late

B-18. If your answer to B-16 is 'yes' what motivates you to repay your loan on time?

☐ To keep social status ☐ in the expectation of getting another large loan

☐ Build good relationship with the loan provider ☐ others (specify)

B-19. If your answer for B-18 is 'No' what cause your repayment problem?

☐ Weak legal enforcement for defaulters ☐ Loan activity was not profitable

☐ Personal problem (like sick, change of place ☐ Low supervision by the loan officer of OMFI ☐ Disaster (theft, fire, flood etc.) ☐ Used enterprise capital for consumption (food, clothing, HH goods) ☐ Lack of sale/ demand ☐ Family celebration (wedding, birth, etc.)

B-20. Is the repayment period set by OMFI's suitable in your opinion? ☐ Yes ☐ No

B-21. If your answer to B-22 is 'No' what do you think is the suitable repayment period? _____

B-22. Is the frequency of collection offered by OMFI's is suitable in your opinion?

1) Yes ☐ No ☐

B-23. What was your preferable collection period?

☐ Weekly ☐ monthly ☐ quarterly ☐ semiannually ☐ annually ☐ per specify _____

B-24. What was your suggest to make the repayment scheme suitable?

☐ To give enough time before starting to repay

☐ To make repayment period longer

☐ Others _____

B-25 Have you ever been supervised regarding loan utilization by OMF staff/officers?

Yes ☐ No ☐

If your answer to question B-27 is No, please move to Q. B-28 and B-29

B-26. How often does the credit officer visit your enterprise's activities?

☐ Never visited ☐ once a week ☐ daily ☐ quarterly ☐ don't know

B-27. Do you consider supervision as being important for loan repayment? Yes ☐ No ☐

Do not know ☐

B-28. Interest rate for credit set by Omo microfinance is:

High ☐ Medium ☐ Low ☐

Part C: Information On Group Lending Related Questions

C-1. When did you 1st join OMFIs? Month...../year..... E.C.

C-2. Why did you engaged in group borrowing?

☐ Easy to get loan in a group ☐ by initiation of one of the group members

☐ By lacking other alternatives ☐ others _____

C-3. How many members does the group in which you belong have?

3 ☐ 4-6 ☐ 10 ☐ above 10 ☐

C-4. How was the group formed? ☐ Based on the group member interest ☐ Based on the loan provider (OMFIs) interest ☐ based on your communitate interest ☐ others _____

C-5. During screening did you know about the behavioral integrity of all group members?

☐ Yes ☐ No

C-6. If your answer in Q.C-5 is 'No' you did not know your group member very well or did not know him/her at all, why did you accept him/her as a member in the group?

☐ He/she is a friend of another member

☐ His/her business looks good ☐ He/she is a relative of another member

☐ Other (specify) _____

C-7. Have you ever participated in another group? ☐ Yes ☐ No

C-8. Do you think, you have responsibility to other members of your group related to loan repayment? ☐ Yes ☐ No ☐

C-9. What actions would you take when the group members didn't repay their loan?

- ☐ Moral persuasion ☐ Village gossip ☐ Hassling ☐ Exclusion from social activities
☐ Others (specify) _____

C-10. Do you have livestock currently? Yes ☐ No ☐

C-11. Did/do you've your own land? ___ 1. Yes ☐ 0.No ☐

C-12.If yes, how many hectares? Cultivated land _____ hector uncultivated land _____ hector.

PART D: Business Related Questions

D-1. In which Business activities currently you engaged?

- ☐ Agricultural sectors (Like farming, poultry, dairy farm, animal fattening etc)
☐ Commercial/Trade/retail/activities ☐ Service sectors ☐ Others (specify) _____

D-2. In Q.D-1, if you involved in Agricultural sectors, in which business activities you involved?

- ☐ Animal fattening ☐ bees farming ☐ rop production ☐ Other (specify) _____

D-3. In Q.D-1, if your business activities are Commercial/Trade/retail/activities, in which business activities you involved?

- ☐ Ballitina ☐ Street or road trade (Gulliti) ☐ shop and container ☐ selling serials
☐ other specify _____

D-4. In Q.D-1, if you involved in enterprise sectors, in which business activities you involved?

- ☐ Constriction ☐ woodwork and metal work ☐ Kobil "stone ☐ Other (specify) _____

D-5. In Q.D-1, if you involved in service sectors, in which business activities you involved?

- ☐ Barber and beauty salon ☐ computer maintenance and copy service ☐ Other (specify) _____

D-6. From above business activity you selected, how long have your business experience?

- ☐ One year ☐ two years ☐ three years ☐ more than four years

PART E: Other General Questions about Omo Microfinance

1. What is your overall opinion about OMO microfinance institution?

2. If you face any difficulties and challenges during the repayment process, please mention.

The major challenges you faced (internal as well as external) in loan repayment.

Thank you for your participation!!!

Annex B

JIMMA UNIVERSITY
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Questionnaire To Be Filed By Officials In Omo Microfinance

Part A: Office Related Questions

A-1 .Sex of respondent Male ☐ Female ☐

A-2 .Educational level: _____ Age: _____

A-3.Position in the institution: ☐manager ☐Customer officer ☐ Loan officer ☐ Other
(specify) _____

A-4. In which method you provide loan? individual ☐ group ☐ both method ☐

A-5.Wich method of lending you offer is more default? ☐individual ☐group ☐ both method ☐

A-6 .Do you know any people who are not repaying the loan? Yes ☐ No, ☐ if 'yes' what
are the characteristics highly default?

1), Male=_____ OR Female=_____

2) Borrowers of Urban=_____ or rural=_____

3) Enterprise and trade borrower=_____ OR agricultural borrower=_____

4) Others _____

A-7.What are some of the reasons someone not repaying the loan?(multiple answer is possible)

☐ Improper utilization of loan ☐ Lack of follow up by loan officer

☐ Weak legal enforcement for defaulters ☐ Lack of interest for doing business

☐ Others (specify) _____

PART B: Other General Questions about Omo Micro Finance

1. What is your overall opinion about OMO microfinance institution lending system?

2. If you face any difficulties and challenges during the repayment process, please mention
The major challenges you faced internal as well as external.

3. What do you suggest the institution should improve in offering services to beneficiaries?_____

Thank you for your participation!!

Annex C

JIMMA UNIVERSITY COLLEGE OF BUSENESS AND ECONOMICS MSC PROGRAM IN ACCOUNTING AND FINANCE

Ii. Qualitative Questionnaire for Deep-Interview (English)

CONSENT FORM.

MY NAME IS **FITSUM TADELE** I AM A PART OF RESEARCH WORK TEAM OF JIMMA UNIVERSITY. RESEARCH WILL ASSESS DETERMINATE OF MICRO FINANCE LOAN REPAYMENT PERFORMANCE. YOUR RESPONSE TO THIS QUESTIONNAIRE WILL SERVE AS SOURCE OF INFORMATION TO THE RESEARCH PAPER TO BE DONE FOR THESIS PURPOSE. ANY RESPONSE YOU PROVIDE HERE IS STRICTLY CONFIDENTIAL AND WILL BE USED EXCLUSIVELY FOR THE RESEARCH PURPOSE. YOUR HONESTY IN RESPONDING THE RIGHT ANSWER IS VITAL FOR THE RESEARCH OUTCOME TO BE RELIABLE.

THANK YOU!!!

KEY GUIDE QUESTIONS

1. What are the main factors that affect loan repayment performance of your institution?
2. Do you think which loan distribution area (from rural and urban) effectively paid loan repayment?
3. What kind of lending methodology are utilized by OMFI and which method is effective related with loan repayment?
4. What measures were taken to improve the repayment situation of borrowers?
5. What challenges are faced by borrowers towards loan service utilization? Related to both rural and urban business sectors?

Thank You for Your Responses!!!

ክፍል-አንድ

በአሞ ማይከሮ ተባዓሪ የሚሞላ የጥያቄ ቅፅ

የተከበሩ መላሽ ይህ የመመረቂያ ጽሁፍ የሚያተኩረው በአሞ ማይከሮ ፋይናስ ተባዓሪ የብድር አመላለስ ላይ ሲሆን ጥናቱን የምያደርገው ፍፁም ታደለ በጅማ ዩኒቨርሲቲ ቢዝነስና ኢኮኖሚክስ ኮሌጅ በአካዉንትግ እና ፋይናስ ት/ት ክፍል የድህር ምረቃ ተማር ነው። እርስዎም የአሞ ማይከሮ ደንበኛ በመሆኖ በብድር አመላለስ ወቅት ያለውን አሰራር ያውቃሉ ተብሎ በመታሰቡ ለዚህ ቃለ መጠይቅ ተመርጠዋል። ይህ ጥናት ሲያልቅ ለእርስዎ የሚሰጠው ጥቅም የእርስዎ አመለካከት አስተሳሰብ እንዲሁም ያጋጠምዎትን ችግር ከምመለከተዉ አካል ጋር በመነጋገር እንዲፈታ ይደረጋል። ስለሆነም የእርስዎ ተሳትፎ አስፈላጊ በመሆኑ ለጥያቄዎቹ በታማኝነት እንዲሁም በሀቀኝነት መልስ እንዲሰጡ ስል በአክብሮት ጠይቃለሁ።

እርስዎ የሚሰጡት ምላሽ ለትምህርት ጉዳይ ብቻ የሚውል መሆኑን እና የሚሰጡት መልስ ለሌላ ወገን ተላልፎ የማይሰጥ መሆኑን አረጋግጣለሁ።

የተከበሩ መላሼ የጥያቄው አይነት ሁለት ሲሆን አንደኛው ከተሰጥዎት ምርጫዎች ውስጥ የሚሞላ ሲሆን ሁለተኛው ደግሞ ስለጥያቄው ያልዎትን ምላሽ ያለገደብ የሚገልጹበት ክፍል ነው። በሚጠየቁበት ወቅት ያልተረዱት ጥያቄ ካለ ጥያቄውን ለሚያቀርብልዎ ሰው እንዲያብራራልዎ ይጠይቁ።

ለተሳትፎዎ በቅድሚያ እመሠግናለሁ!!!

ክፍል -ሀ አጠቃይ አሞ ማይክሮ ፋይናስ ተበዳሪ የተመለከተ መረጃ

- ሀ-1. ያታ፡ 1)ወንድ ☐ 0) ሴት ☐
- ሀ-2. ዕድሜ፡ _____
- ሀ-3.እርሳ እስከ ስንተኛ ክፍል ድረስ ተምረዋል? _____
- ሀ-4.የጋብቻ ሁኔታ፡ 1) ያገባ ☐ 2)ያላገባ ☐ 3)አግብቶ የፈታ ☐ 4)ምስት/ባል/የሞተበት ☐
- ሀ-5.የቤተሰብ ብዛት _____ 1)ከ1-18 እድሜ ወሴ _____ 2)ከ19-30እድሜ ወሴ _____
3) ከ31-55እድሜ ወሴ _____ 4) ከ 55እድሜ በላይ ወሴ _____
- ሀ-6. የቤተሰቡ አባወራ ወይም መሪ ማን ነው? 1) ወንድ ☐ 0)ሴት ☐
- ሀ-7. የአሞ ማይክሮ ፋይናስ ደንበኛ መቼ ነው የሆኑት? ወር _____ ዓ.ም _____
- ሀ-8. በቤቱ አብሮት የሚኖሩና ብያንስ በቀን አንድ ጊዜ ከእረሶ ምግብ የሚመገብ ስንት ሰው አለ?
1) ሕፃናት ዕድሜያቸው ከ17 ዓመት በታች ወሴ _____ ሴ _____
2) አዋቅ ዕድሜያቸው ከ18 ዓመት በላይ ወሴ _____ ሴ _____
- ሀ-9. ከአባወራ አባላት ስንተቸ ገቢ በሚያስገኝ ሥራ ላይ ተሰማርቶል? _____
- ሀ-10.የመኖሪያ ቦታዎ የት ነው? 0) ገጠር ☐ 1)ከተማ ☐
- ሀ-11. ብደር የወሰዱት በየቱ መንገድ ነው?0) በቡድን ☐ 1)በግል ☐

ለ. ከብድ ጋር የተያያዘ ጥያቄዎች

- ለ-1. ብድር ከማግኘቱ በፍት ሌላ ተጨማርያገቢ ምንጭ አሎት? 1)አዎን ☐ 0)አይደለም ☐
- ለ-2.በጥያቄ ቁጥር ለ-1.መልሶ አዎን ከሆነ የገቢ ምንጮ ከምን ነው?(ከአንድ በላይ መልስ ይቻላል)

የገቢ ምንጭ

ዓመታዊ ገቢ /በብር /

1).ከእርሻ ሥራ _____

2). ከንግድ ሥራ _____

3).ከወር ደመወዝ _____

4).ልላ ካለ ይጠቀስ _____

ለ-3.ብድሩን ከማግኘቱ በፍት በአሞ ማይክሮ ፋይናስ ቁጠባ አሎት? 1)አዎን ☐ የለኝም ☐ መልሱ አዎን ከሆነ ምን ያክል ቆጥቦዉ ነበር? _____

ለ-4.. ቁጠባ የጀመሩት ለምን ምክንያት ነዉ?

1) ለንግድ ማስፋፍ ☐ 2)ለእርሻ ግብዓት ግዥ (ምሳሌ፤ ማዳበሪያ) ☐ 3)ለቤት ፍጆታ ☐
4)በአነስተኛ ናፕቃቅን ኢ.ን/ር ፕራይዝ ዘርፍ ለመሳተፍ ☐ 5) ለት/ት ክፍያ ☐ ሌላ ካለ ይጠቀስ _____

ለ-5. ለምንድነዉ ብድሩን የተበደረከዉ/ሸዉ/ : 1) ሌላ ዕዳ ለመክፈል ☐ 2)የንግድ ሥራ ለማስፋፋት ☐ 3)አዲስ የንግድ ሥራ ለመጀመር ☐ 4)የእርሻ ግብዓት ለመግዛት እና ለእርሻ ሥራ ማስፋፍያ እና ማሻሻያ ☐ 5)ሌላ ካለ ይጠቀስ _____

ለ-6. መልሱ በጥያቄ ቁ.ለ-5. የእርሻ ግብዓት ለመግዛት የሚል ከሆነ የገጠር ብደር አገልግሎቱ ተጠቅመዉ ምን ገዙ? (ከአንድ በላይ ምላሽ ይቻላል)

1)ዳፕና ዩሪያ ለመግዛት ☐ 2)የእርሻ በሬ ለመግዛት ☐ 3)በግናፍየል ለመግዛት ☐
4)ሌላ ካለ ይጠቀስ _____

ለ-7.ከአሞ ማይክሮ ፋይናስ ተቋም እስከ ቤቱ ያለ ርቀት ስንት ኪ/ሜ ይሆናል ? _____

ለ-8. ከአሞ ማይክሮ ፋይናስ ስንት ዙር ብድርወስደዋሉ ? 1) 1ዙር ☐ 2) 2ዙር ☐
3)3ዙር ☐ 4) ከ3ዙር በላይ ☐

ለ-9.ብድር ጠይቀዉ በወቅቱ አግኝተዋሉ? 1)አዎን ☐ 0)አይደለም ☐

ለ-10.መልሱ ጥ.ቁ.ለ-9ላይ አይደለም ከሆነ ብድሩ ለመግኘት በአሞ ማይክሮ የፈጀሶት ጊዜ፡

1) በጣም ረጅም ☐ 2)ረጅም ☐ 3)መካከለኛ ☐ 4)አጭር ☐ 5)በጣም አጭር ☐

ለ-11. ከአሞ ማይክሮ ፋይናስ ምን ያክል ገንዘብ ተቀበሉ?

	በ1ዙር	በ2ዙር	በ3ዙር	ከ4ተኛዙር በላይ
ዓመት				
የገንዘብ መጠን				

ለ-12. ከአሞ ማይክሮ ፋይናስ ለብድር የጠየቁትን ገንዘብ መጠን አግኝተዋሉ? 1)አዎን ☐ 0)አይደለም ☐ ፤በጥ.ቁ ለ-12 መልሱ አይደለም ከሆነ ምን ያክል ብር ጠይቀዉ ነበር? _____

ለ-13. በጥያቄ ቁጥር ለ-12.መልሱ አይደለም ከሆነ የብድሩ መጠኑ ? 1)በጣም ዝቅተኛ ነዉ ☐ 2)ዝቅተኛ ነዉ ☐ 3)ከፍተኛ ነዉ ☐ 4) በጣም ከፍተኛ ነዉ ☐

ለ-14. በጥያቄ ቁጥር ለ-13.መልሶ በጣምዝቅተኛ/ዝቅተኛ ነዉ የምል ከሆነ ምን አይነት አማራጭ ወሰዱ?

1) ከእድር/እቁብ/ በመበደር ☐ 2)ከባንክ በመበደር ☐ 3)ከጓደኛ እና ከቤተሰብ ☐ 4) ሌላ ካለ ይጠቀስ _____

ለ-15.የተኛዉን ብደር ቶሎ ብሎ ይመልሳሉ? 1) ከእድር/እቁብ የተበደሩትን ☐ 2) ከባንክ የተበደሩትን ☐ 3)ከጓደኛ እና ከቤተሰብ ☐ 4)ሌላ ካለ ይጠቀስ _____

ለ-16. ብደር የተገኘዉን ገንዘብ በብደሩ ሰጭ ተቺም ዉል መሠረት ሥራ ላይ አዋሉ?

1) አዎን ☐ 0)አይደለም ☐

ለ-17. በጥያቄ ቁጥር ለ-16.መልሶ አይደለም ከሆነ ለምን ሥራ አዋሉ?(ከአንድ በላይ መልስ ይጽፋል)

የብድሩ የዋለበት ቦታ

ወጭ የሆነ ገንዘብ መጠን

1) ለቤት ፍጆታ _____

2) ለሒክምና _____

3) ለሠረግ _____

4) ሌላ ካለ ይጠቀስ _____

ለ-18. ብድሮን በወቅቱ ከፍለዋል? 1) አዎን ☐ 2) አይደለም ☐

ለ-19. በጥያቄ ቁጥር ለ-18.መልሶ አዎን ከሆነ ምን ያክሉን መልሰዋል?

1)ሙሉ በሙሉ ካሉ : ☐ በጊዘዉ ከፍያለዉ ☐ ጊዘዉ ካለፋ በኋላ

2))በ ከፍል ካሉ ☐ በጊዘዉ ከፍያለዉ ☐ ጊዘዉ ካለፋ በኋላ

ለ-20. ብድሮን ለመክፋል ያነሳሳዋት ምክንያት?

1) ከሕዝብ ተቀባይነት ላለማጣት ☐ 2) ሌላ ትልቅብድር ☐ ለመወሰድ በማሰብ ☐
3)ከአበዳሪዉ ተቃም ጋር ጥሩ ግኑኘት እንድኖር በማሰብ ☐ 4)ሌላ ላሌ ይጠቀስ _____

ለ-21. በጥያቄ ቁጥር ለ-18.መልሶ አይደለም ከሆነ ምክንያቶ ምንድነዉ?

1)ብድረን ያለ መመለስ ተጠያቅነቱ ዝቅተኛ መሆን ☐ 2)ትርፋማ ያለመሆን ☐
3)በግልጽግር(፤በሀመም፤ወዘተ) ☐ 4)የምርት ገበያ ማጣት ☐ 5)የተፈጥሮ አደጋ ☐
☐ 6)መነሻ ካፒታሉን ሌላ ተግባር በማዋል ☐ 7)ለተሌያዩ በዓላትና ደግስ በማዋል ☐
8)ሌላ ካለ ይጠቀስ _____

ለ-22. ብድር እንድመልሱ የተቀመጠው ወቅት/ጊዜ/ ይመዝገብ?

1) አዎን ☐ 0) አይደለም ☐

ለ-23. በጥያቄ ቁጥር ለ-22 መልሶ አይደለም ከሆነ ምን ወቅት ብሆን ይመዝገብ? _____

ለ-24. የብድር አስባስብ ፕሮግራም ድግግሞሽ በአበዳር ተቋም የምደረግው ይመዝገብ?

1) አዎን ☐ 0) አይደለም ☐

ለ-25. በጥያቄ ቁጥር ለ-24 መልሶ አይደለም ከሆነ ያልተመሰገን ምክንያት?

1) በየሳሚንቱ መሆኑ ☐ 2) በየወሩ መሆኑ ☐ 3) በየሩብ ዓመት መሆኑ ☐ 4) በግማሽ ዓመት መሆኑ ☐ 5) በዓመት መሆኑ ☐ 6) ሌላ ካለ ይጠቀስ _____

ለ-26. የብድር አመላለሱ ምቹ እንድሆን በእርሶ አስተያየት እንደት ብሆን ይመረጣል?

1) ለብድሩ መመለሻ በቂ የእፎይታ ጊዜ ብስጥ ☐ 2) ብድሪ የምመለስበት ጊዜ ረጀም ብሆን ☐

3) ሌላ ካለ ይጠቀስ _____

ለ-27. የአሞ ማይክሮ ፋይናስ ተቋም ባለሙያ ጎብኙት ያዉቃል?

1) አዎን ☐ 0) አይደለም ☐

ለጥያቄ ቁጥር ለ-26 መልሶ አይደለም ከሆነ ጥያቄ ቁጥር ለ-27 እና ለ-28 ይመልከቱ

ለ-28. ለምን ያህል ጊዜ ባለሙያ ጎበኛ ብሎ ያስባሉ?

1) ምንም አልተጎበኘሁም ☐ 2) በሳሚንት አንድ ጊዜ ☐ 3) በየቀኑ ☐ 4) በወር አንድ ጊዜ ☐
5) በ3 ወር አንድ ጊዜ ☐ 6) በወል አላዉቀውም ☐

ለ-29. ባለ መጎብኘቱ ብድር አመላለሱ ላይ ችግር ደረሰዋል ብሎ ያስባሉ?

1) አዎን ☐ 2) አይደለም ☐ 3) በወል አላዉቅም ☐

ለ-30. ወለድ በተበዳር ላይ የምጣለው ምን ያህል ነው ብሎ ያስባሉ?

1) ከፍተኛ ☐ 2) መካከለኛ ☐ 3) ዝቅተኛ ☐

ሐ. የቡድን ተበዳር በተመለከተ

ሐ-1. የአሞ ማይክሮ ፋይናስ ተቋም ደንበኛ የሆኑበት ወር _____ ዓ.ም _____

ሐ-2. ለምንድነው በቡድን ለመበደር የወሰኑት?

1) በቡድን ተደራጀቶ ብደር ማግኘት ቀላል ስለሆነ ☐ 2) በጓደኛ አነሳሽነት ☐

3) ሌላ አማራጭ በማጣት ☐ 4) ሌላ ካለ ይጠቀስ _____

ሐ-3. እርሳን ጨምሮ ስንት አባላት በቡድኖ አለ?

1) ሦስት ☐ 2) አራት ☐ 3) አምስት ☐ 4) ከ አምስት በላይ ☐

ሐ-4. ቡድኑ ስደራጀ እንዴት ተመሠረተ?

1) በአባላቱ ፍላጎት ☐ 2) በአበዳር ተቋም ፍላጎት ☐ 3) በማህበረሰቡ ፍላጎት ☐

4) ሌላ ካለ ይጠቀስ _____

ሐ-5. በቡድን ስደራጃ ከምልመለዉ በፍት አባላቱ ሁሉንም ያዉቃሉ?

1) አዎን ☐ 0) አላዉቅም ☐

ሐ-6. በጥያቄ ቁጥር ሐ-5 መልሶ አላዉቅም ከሆነ ለምን የቡድኖ አባል አደረጉ?

1) ሌሎች የቡድኑ አባላት ጓደኛ ስለሆነ ☐ 2) ለሥራ ያለዉ አመለካከት ጥሩ በመሆኑ ☐

3) ሌሎች የቡድኑ አባላት ቤተሰብ ስለሆነ ☐ 4) ሌላ ካለ ይጠቀስ _____

ሐ-7. አሁን ካሉበት ቡድን ዉጭ ከሌላ ቡድን ጋር ብደር ለመዉስድ ተሳትፎ ያዉቃሉ?

1) አዎን ☐ 0) አላዉቅም ☐

ሐ-8. በብደር አመላለስ ወቀት በቡድን አባላት ላልተመለሰዉ ብድር ተጠያቅ ነኝ ብሎ አስበዉ ያዉቃሉ? 1) አዎን ☐ 0) አላስብም ☐

ሐ-9. የቡድኑ አባል ብድር ባይመልስ በቡድኑ አባላት ምን አይነት እርምጃ ይወስዳል?

1) የሞራል ተፂኖ በማድረግ ☐ 2) ስፋር ዉስጥ በማዉራት ☐ 3) በማስፈራራት ከህ/ስቡ እንድገለል ማድረግ ☐ 4) ሌላ ካለ ይጠቀስ _____

ሐ-10 የቤት እንስሳት አሎት ? 1) አዎን ☐ 0) የለኝም ☐ (በግብርና ሥራ በተስማሩ ተበዳሪዎች ብቻ የምመለስ ከሐ-11 እስከ ሐ-13 ይመልከቱ)

ሐ-11. በጥያቄ ቁ.ሐ-10 መልሶ አዎን ከሆነ የእንስሳዉ ዓይነትና ብዛት ይዘርዝሩ

<u>የእንስሳዉ ዓይነት</u>	<u>ብዛት</u>	<u>የእንስሳዉ ዓይነት</u>	<u>ብዛት</u>
1.በሬ	_____	6.ፈረስ	_____
2.በግ	_____	7.አህያ	_____
3.ፍየል	_____	8.በቅሎ	_____

ሐ-12. የእርሻ መሬት አሎት? 1) አዎን ☐ 0) የለኝም ☐

ሐ-13. በጥያቄ ቁ.ሐ-12.መልሶ አዎን ከሆነ፡ምን ያክል ሂክታር በምርት ተሸፍነዋል?

1) በምርት የተሸፋነ መሬት _____ ሄ/ር 2) በምርት ያልተሸፋነ መሬት _____ በሄ/ር

መ. ተበዳረዎች የተሳተፉበትን የሥራ ዘርፍ በተመለከቱ

መ-1. በየተኛው ዘርፍ ነው የተሳተፉት?

1) በእርሻ ዘርፍ(ለምሳሌ፡- በሰብል ልማት፣በእርባታናድለባ፡ንብ ማነብ ወዘተ...) ☐

2) በንግድ ዘርፍ ☐ 3) በአገልግሎት ዘርፍ ☐ 4) ሌላ ካለ ይጠቀስ _____

መ-2. በጥያቄ ቁ.መ-1.መልሶ በእርሻ ሥራ የምል ከሆነ በየተኛው ሥራ?

1) በድለባና ማሞከት ☐ 2) በንብ ማነብ ☐ 3) በሰብል ማምረት ☐ 4) ሌላ ካለ ይጠቀስ _____

መ-3. በጥያቄ ቁጥር መ-1.መልሶ በንግድ ሥራ ዘርፍ የምል ከሆነ በየተኛው?

1) በባልትና ☐ 2) በጉልት ንግድ ☐ 3) በሰቅ/ኮንቴነር ሰቅ/ ☐ 4) በጥራጥር ንግድ ☐
4) ሌላ ካለ ይጠቀስ _____

መ-4. በጥያቄ ቁጥር መ-1.መልሶ በኢንተርፒራይዝ ሥራ ዘርፍ የምል ከሆነ በየተኛው?

1) በግንባታ ስራ ☐ 2) በእንጨትናብረታ ሥራ ☐ 3) በኮብል ድንጋይ ማንጠፍ 4) ሌላ ካለ ይጠቀስ _____

መ-5. በጥያቄ ቁጥር መ-1.መልሶ በአገልግሎት ዘርፍ የምል ከሆነ በየተኛው?

1) በፀጉር ማስተካከልና በሴቶች ቁንጂና ሳሎን ☐ 2) በፎቶ ኮፒ እና ኮሚፒውቴር ጥገና ☐ በሻይናቡና ☐ 3) ሌላ ካለ ይጠቀስ _____

መ-6. ለስንት ዓመት ከዚህ በላይ በመረጡት ሥራ ዘርፍ ቆይተዋል?

1) 1ዓመት ☐ 2) 2ዓመት ☐ 3) 3ዓመት ☐ 4) 4 ዓመትና ከዚያ በላይ ☐

ሠ.ተቋሙን በተመለከተ ጥያቄ

ረ.1 የእርሶ አስተያየት በአዋ ማይክሮ ፋይናስ ተቋም ብድር አሰጣጥናአጠቃላይ አሰራር ላይ ምን ይመስላል _____

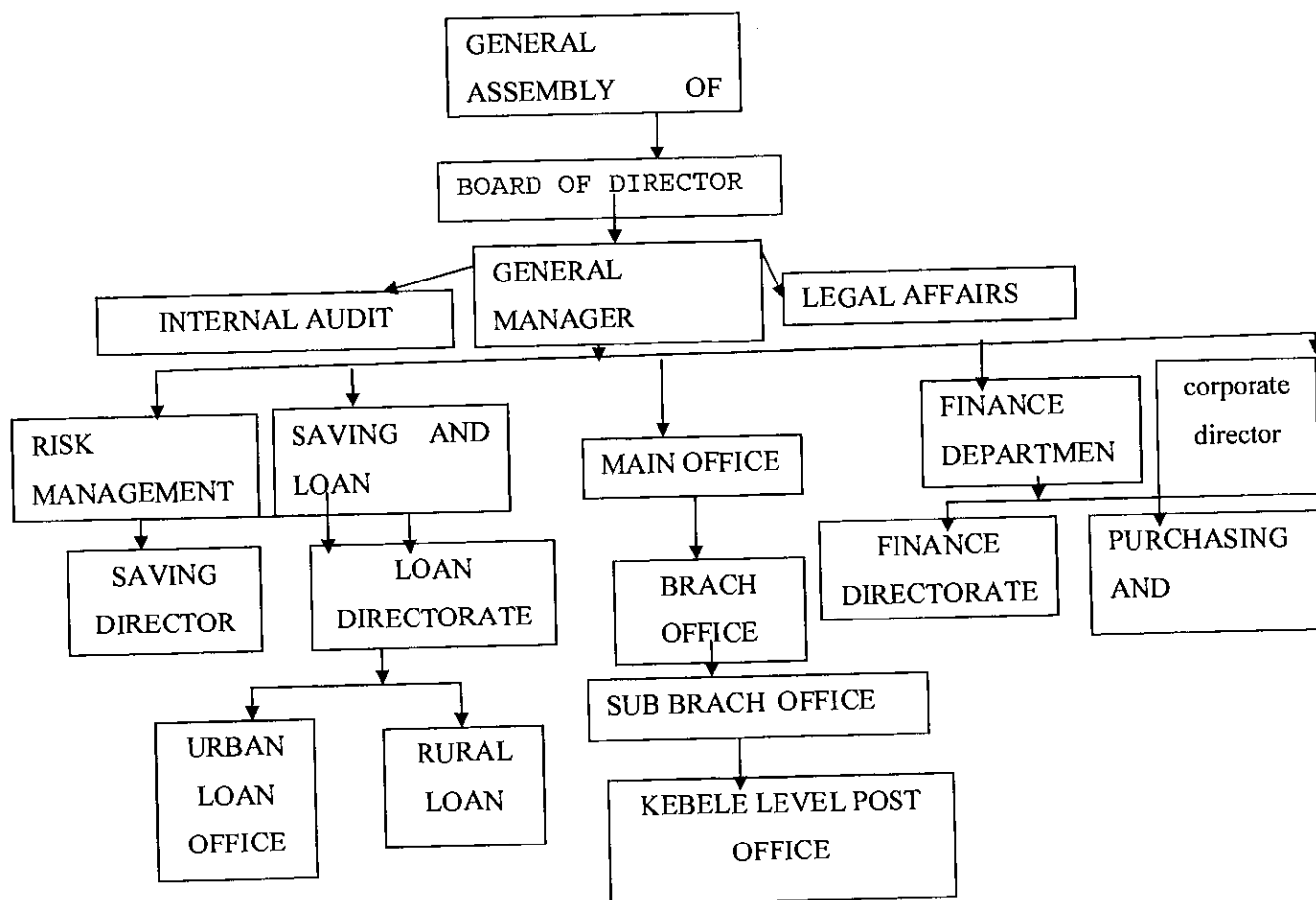
ፈ.2. ብድሩን ለማግኘት በምያደረጉት እንቅስቃሴ ያጋጠሞት ችግርና ተግዳሮት ካለ ብገልጹ_____

ፈ.3.በቀጣይ ተቋም አገልግሎት በምሰጥበት ወቅት ማስተካከል አለበት የምሉት ነገር ካለ ብጠቅሱ_____

ለትብብር አመሰግናለሁ!!!

APPENDICES

Appendix 1 :ORGANIZATINAL STRUCTURE OF OMFI



Appendix 2: Pearson correlation coefficient matrix

	1	2	3	4	5	6	7	8	9	10	11	12
SX(1)	1	.152**	-.129*	.002	-.292**	-.156**	.077	-.274**	-.146*	-.060	-.120*	-.008
AG(2)		1	-.099	.015	.029	-.040	.310**	.004	.158**	.260**	.143*	.160**
EDL(3)			1	-.194**	.151*	.030	.218**	.167**	.132*	.141*	.172**	.130*
FSZ(4)				1	-.441**	-.255**	-.084	-.396**	-.227**	-.134*	-.148*	-.086
RSD(5)					1	.385**	.124*	.911**	.375**	.199**	.319**	.143*
BorMTHD(6)						1	.005	.304**	.172**	.014	.061	.045
OSINCBfrLoan(7)							1	.137*	.243**	.350**	.291**	.255**
DIS(8)								1	.326**	.156**	.300**	.114
TmLrelse(9)									1	.397**	.265**	.196**
LSZSuffi.(10)										1	.219**	.365**
SIP(11)											1	.262**
FreqColn(12)												1

Source: survey result, 2014

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed)

.c.ListwiseN=