

***DETERMINANTS OF LOAN REPAYMENT OF MICRO AND
SMALL SCALE ENTERPRISES IN ALGE SACHI WOREDA***

***A Thesis Submitted to the School of Graduate Studies of Jimma
University in Partial Fulfillment of the Requirements for the Award of
Master of Sciences Degree in Accounting and Finance***

By: MULUKEN GETACHEW GEZAGN



**JIMMA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF ACCOUNTING AND FINANCE**

JULY, 2020

JIMMA, ETHIOPIA

DETERMINANTS OF LOAN REPAYMENT OF MICRO AND

SMALL SCALE ENTERPRISES IN ALGE SACHI WOREDA

A Thesis Submitted to the School of Graduate Studies of Jimma University in Partial Fulfillment of the Requirements for the Award of Master of Sciences Degree in Accounting and Finance

BY: MULUKEN GETACHEW GEZAGN

Under the guidance of

ESHETU YADECHA (PhD)

AND

GANFURE TEKALIGN (MSc)



**JIMMA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF ACCOUNTING AND FINANCE**

JULY, 2020

JIMMA, ETHIOPIA

APPROVAL SHEET

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

As thesis advisors, we here by certify that we have read and evaluated the thesis prepared by MULUKEN GETACHEW under our guidance, which is entitled “*DETERMINANTS OF LOAN REPAYMENT OF SMALL AND MICRO SCALE ENTERPRISES IN ALGE SACHI WORED A*”, in its final format it is consistent and acceptable. Hence, we recommend that the thesis be accepted as it fulfills the university and department style requirements for the degree of Master of Science in Accounting and finance.

ESHETU YADECHA _____
Main advisor Signature Date

GANFURE TAREKEGN _____
Co- advisor Signature Date

DECLARATION

I the under signed declare that this study entitled “*DETERMINANTS OF LOAN REPAYMENT OF MICRO AND SMALL SCALE ENTERPRISES IN ALGE SACHI WOREDA*.” Is my original work and has not been presented for degree in other universities and that all sources of materials used for the study have been dually acknowledged.

Declared by:

Name: **Muluken Getachew** _____

Signature: _____

Date: _____

CERTIFICATE

This is to certify that this study, “*DETERMINANTS OF LOAN REPAYMENT OF SMALL AND MICRO ENTERPRISES IN ALGE SACHI WOREDA*”, undertaken by **Muluken Getachew** for the partial fulfillment of Master of Sciences Degree in Accounting and Finance at Jimma University, is an original work and not submitted earlier for any degree either at this University or any other University.

Submitted by:

Full Name-----Signature-----Date-----

Approved by:

Name of Advisor-----Signature-----Date-----

Name of Internal Examiner-----Signature----- Date-----

Name of External Examiner-----Signature----- Date-----

Name of Head of Department-----Signature----- Date-----

Abstract

This research aims to examine Determinants of loan repayment of micro and small enterprises in Alge sachi Woreda. The study examined the institutional management related factors (training, follow-up and supervision, repayment period), borrowers related factors (Age of leader, leader experience, keeping book of record and member size) and external related factors (market availability and infrastructures) that determine the loan repayment of small and micro enterprises. This study employed descriptive and explanatory research design. The Primary data was collected through self-administrated questionnaires from random samples of 179 Micro and Small Enterprises by stratifying into five groups. The collected data was analyzed through descriptive and inferential statistical techniques using the Statistical Package for Social Science of version 23. The descriptive statistics and binary logistic regression were employed to present the results and findings of the research. The result of binary logistic regression model indicated that Experience of respondents, Age of respondents, Training, infrastructures, follow up and supervision and loan repayment period were positively and significantly affect loan repayment. The enterprises member size, lack of keeping book of record and lack of accessible market was negatively and significantly affected loan repayment of small and micro enterprises in the study area. This study recommends that the participation of females in management of MSE's should be improved, enterprises and industry development office should provide Capacity building trainings and should make continuous supervisions and follow-up to prepare enterprises to perform in the business they involved, an assessment of the borrowers business related experience should be conducted before loan disbursements and they should include experience in their loan criteria, Experience sharing activities on Marketing Skills should be set by office of MSEs with supporting institutions to obtain better knowledge and experiences from each other and MSE should work hard to get market access and linkages for their products and services, the MSEs should register their daily activities to control all their activities and loan, The woreda MSEs Offices should be setting suitable repayment periods by communicating with the federal government and other concerned body.

Keywords:- *Loan repayment, Micro and small enterprises, Institutional related factors , Borrowers related factors, External related factors, Alge sachi woreda.*

Acknowledgments

First of all I would like to thank the Almighty God for his giving me a strength for all the achievements which I have been able to attain in my entire life and for the efforts towards my successful completion of my graduate study. Secondly, I would like to give heartfelt thanks to my advisor Mr. Ishetu Yadecha and My Co-Advisor Ganfure Tarekegn for their huge effort exertion starting from shaping of the title up to the completion of the study.

Thirdly, I would like to appreciate those experts and head office of enterprises and industry development of Alge sachi woreda who most helpful in the data collection activities since without their acceptance data collection would not have been possible and my appreciation extends to the sectors of MSEs borrowers for providing information and openly answering my questions prearranged on the questionnaire.

Similarly, I would like to say God bless you all my friends those who motivates me and shares their experiences that collectively contributes to the successful completion of my study. Finally, great thanks to my beloved Mother Weyinitu Belayneh, to my beloved brother Fikire Getachew and to my beloved wife Aster yadeta who had been always besides me in encouraging, supporting and gave their advisory service in the process.

Table of Contents

Contents	Page No.
Abstract.....	i
<i>Acknowledgments</i>	ii
Table of Contents.....	iii
Acronyms and Abbreviations	viii
CHAPTER ONE.....	1
INTRODUCTION.....	1
1.1. Back ground of the study.....	1
1.2. Statement of the problem.....	4
1.2.1 Research questions	7
1.3. Objectives of the study	7
1.3.1. General objective	7
1.3.2. Specific Objectives.....	7
1.4. Significance of the Study.....	7
1.5. Scope of the Study.....	8
1.6. Limitation of the study.....	8
1.7. Organization of the thesis	8
CHAPTER TWO.....	9
REVIEW OF RELATED LITERATURE	9
2.1. Introduction	9
2.2. Theoretical literature Review	9
2.2.1. The Definition of Micro and Small Enterprises (SMEs).....	9
2.2.2. The Role of SMEs in Poverty Reduction and Employment Creation in Ethiopia.	11
2.2.3. What are Loan, loan Repayment, and the causes of loan default?.....	12
2.2.4. Challenges facing Small and Micro Scale Enterprises in developing countries.	12
2.3. Empirical Literature Review	16
2.3.1. The factors that affect the loan repayment of SMEs	16
2.3.2. Definition and Measurement of Study Variables	19

2.4. Conceptual frame work of the study.....	21
2.5. Research Gap.....	22
CHAPTER THREE.....	23
METHODOLOGY OF THE STUDY	23
3.1. Introduction	23
3.2 .The Data Set and Description of the Study Area	23
3.3. Research Approach and Design.....	24
3.4. Target population.....	25
3. 4 .Method of Data Collection	25
3.4.1. Primary data collection.....	25
3.4.2. Secondary data collection.....	25
3.5. Sample size determination.....	25
3.5.1. Sampling techniques.....	26
3.5.2. Sample Frame	27
3.6. Method of Data Analysis	28
3.6.1. Econometric Model	29
3.7. Reliability and validity	32
3.8. Operational definition of Dependent and independent variables and Hypothesis.....	33
3.9. Ethical Consideration	37
CHAPTER FOUR	38
RESULTS AND DISCUSSIONS.....	38
4.1. Descriptive Results	38
4.1.1. Questionnaire response Rate	38
4.1.2. Background information of respondents	38
4.2. Result of Econometric Model.....	51
Logistic Regression Analysis	51
Multi-collinearity.....	51
Evaluation of a logistic regression model	52

CHAPTER FIVE	61
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	61
5.1. Introduction	61
5.2. Summary	61
5.2. Conclusions	64
5.3. Recommendations	66
5.4. Future Research Direction/ For Farther research/	67
References.....	68
<i>Appendix I Questioners.....</i>	<i>75</i>
<i>Appendix II Gaaffilee.....</i>	<i>78</i>

List of Tables	Page No.
Table 1: The enterprises sector, employees and capital in ethiopia.....	10
Table 2: Sample size determination of the study	27
Table 3: The sample total population and frame of the study.....	28
Table 4: Reliability test.....	32
Table 5; Variables and its measurement.....	33
Table 6; The marital status of the respondents	41
Table 7; The respondents business related experience before joining current business.....	41
Table 8; Characterization of Defaulters and non-defaulters by demographic factors	42
Table 9; Business sector with loan repayment cross tabulation	44
Table 10 ; Training with loan repayment cross tabulation	45
Table 11; Follow-up and supervision with loan repayment cross tabulation	45
Table 12; Repayment period with loan repayment cross tabulation.....	46
Table 13; Experience with loan repayment cross tabulation	47
Table 14; Member size with loan repayment cross tabulation	47
Table 15; Keeping book of records with loan repayment cross tabulation.....	48
Table 16; Market accessibility with loan repayment cross tabulation.....	49
Table 17 ; Infrastructures with loan repayment (cross tabulation)	49
Table 18 ; Correlation	52
Table 19; Model Summary	53
Table 20; Classification Table	53
Table 21; Omnibus Tests of Model Coefficients.....	54
Table 22; Hosmer and Lemeshow Test	54
Table 23; Variables in the Equation.....	55

Lists of Figures

page No.

Figure 1: Conceptual framework of Dependent variables and independent Variables 21

Figure 2 : Map of Alge sachi woreda..... 24

Figure 3: Chart of sex of respondents 38

Figure 4 ; Age of respondents 39

Figure 5 ; educational level of respondents 40

Figure 6; The Business sector of respondents..... 42

Acronyms and Abbreviations

ADB	Asian Development Bank
BRF	Borrowers related factors
CBE	Commercial Bank of Ethiopia
ERF	External related factors
FDRE	Federal Democratic Republic of Ethiopia
IMRF	Institutional Management related factors
LR	Loan repayment
LRP	Loan Repayment performance
MF	Micro Finance
MFI	Micro Finance Institutions
MSEs	Micro and Small Enterprises
MSME	Micro, Small and Medium enterprise
NBE	National Bank of Ethiopia
OCSSCO	Oromia Credit and Saving Share Company
UNIDO	United Nation Industry and Development Organization
SPSS	Statistical Package for Social Science

CHAPTER ONE

INTRODUCTION

This chapter presents the back ground of the study, statements of the problem, the objectives of the study, significance of the study, scope of the study, limitation and organization of the study.

1.1. Back ground of the study

Micro enterprises are one of the priority areas of action from the program addressing African development, and it can be seen as a means of accomplishing smooth transition from traditional to modern industrial sectors and has a huge contribution to the growth and development of the relative low capital cost (Drbie & Kassahun, 2013). MSEs are primary source of employment creation not only in developing country also in developed countries. In developing countries, MSEs have a crucial role because of their potential offerings to improvement of income distribution, employment creation, poverty reduction, industrial development, rural development, and export growth.

In this case, governments have been supporting their MSEs widely through many different programs, with subsidized credit schemes as the most important component. International institutes such as the World Bank, the Asian Development Bank (ADB) and the United Nation Industry and Development Organization (UNIDO) and many donor countries through bilateral cooperation have also played great role in empowering MSEs in developing countries (Zemenu & Mohammed, 2014). Even if the role of small and micro enterprises is the way to poverty reduction, job creation, and sustainable economic growth of developing nation like Ethiopia ‘it is unquestionable facts that they cannot exist without challenges.

Repayment performance is the ability of a borrower to service his loan successfully as to and when loan installments fall due. Imbuga (2014) An Assessment of the Effect of Inflation on Loan Repayment among Commercial Banks in Kenya suggests that repayment performance refers to the total loans paid on time as stated in the loan agreement contract and repayment performance measures are based on the degree of debts.

Godquin (2004).Studied on Microfinance repayment performance in Bangladesh, How to improve the distribution of loans by MFIs. Also stated that repayment performance is usually measured in term of in terms of binary variable based on an arbitrary definition of what constitutes repaying on time.

According to Bassem,(2008) that Repayment problems weaken the financial health of financial institutions since they handicap their missions while setting in danger their capitals. In addition, weak repayment rates affect negatively SMEs relations with the financial institutions and make them disinterested to involve in other financial transactions. To mitigate the loan repayment problem financial institutions initiate loan recovery strategies. Loan retrieval is one of the key objectives of financial institutions as it allows them to refinance and to reach more people. To have a positive impact on the economy of a country, the institutions must be able to loan out funds and recover the same to remain relevant in the finance industry.

According to Shide (2012) in most African countries the creation survival and growth of SMEs in the very serious challenges. Among the most significant factors that facing the MSEs in Africa, inadequate access to financing, poor market access, weak technical capacities, lack of favorable policy environment are the most significant factors that face the micro and small enterprises and he has also stated that the graduation of MSEs enterprises to a more growth oriented middle and large industries are minimal. In relation to this insufficient supply of public goods such as legal physical infrastructures, coupled with high transaction cost and information asymmetry would negative impact the likelihood of those established MSEs graduating into larger enterprises. This problem is further compounded by the fact that technical and managerial knowledge that are very important for efficiently managing MSEs are in limited supply, and as the result of market failures, they would be highly under-produced in these economies.

According to Siyum(2015) There are multi-dimensional problems like extreme poverty, unemployment, low per Capita income, and unequal income distribution facing in many developing countries. As a result governments are framing different strategies and policies to create job opportunities and to pull these countries out of such problems. In Ethiopia there is also suffering from severe poverty, unemployment, income inequality and lower per capita income. In response to the mentioned problem, the Ethiopian government issued the National Micro and Small Enterprises Strategy in 1997 and established the Federal Micro and Small Enterprises Development Agency in 1998. The country's industrial policy in 2003 and the poverty reduction strategy program of 2006 had single out MSEs as major instruments to create a productive and vibrant private sector and reduce poverty among urban dwellers

According to Yednekachew (2016) the MSEs were affected by environmental and internal factors. Environmental factor includes social, economic, political, economic, ,cultural legal and technological factors, and internal factors also affect the performance of MSEs, which are related to

the person's individual attitude, training and technical know-how. He identified many problems that confronted MSEs in Ethiopia similar with other developing countries like unfavorable legal and regulatory environment, discriminatory regulatory practices; lack of access to markets, lack of business premises at reasonable rent ,low ability to acquire skills, low access to appropriate technology, poor access to quality business infrastructure, financial problems, lack of qualified employees, lack of proper financial records, inadequate management and business skill, marketing problems, lack of work premises , low level of provision and interest for trainings and workshops.

Demise (2016) stated that the Access to working premise, access to infrastructure and access to credit are found significant in determining the probability of SMEs growth from external factors, market access, financial access and social network influence the growth of dairy SMEs. Entrepreneurs have difficulties in accessing finance. Creativity and product development in entrepreneurial skills influenced growth of enterprise largely.

Dire (2018) states that the main sources of initial capital for SME's happened to be MFI followed by bank and own capital. To solve the problem of SMEs the micro finance institutions support by giving the loan to the SMEs the loan provides must be repayment as the institutions schedules because it flows to another new start up however, the time given to the SMEs was not enough to pay on a time.

According to the Kebede & Tafese (2016) the loan default reduces the lending ability of a financial institution. Defaulting loan causes disturbance the normal inflow and outflow of fund a financial institution has to keep staying in sustainable credit market. Repayment period is also found to be a significant determinant of loan repayment performance of borrowers. Suitability of loan repayment period for borrowers was found to significantly increase the probability of repaying loan.

Ashe & Chali (2016).A study Delaying on loan disbarment, approving inequitable loan size that was not suffices to borrowers business proposal ,loan diversion towards un productive businesses, inappropriateness of repayment period,training services , family size , and shortage of continuous supervisions were the cause of default. Also the major causes of default were found to be poor business performances, credit diversion to unbeneficial uses, poor timing ,inadequate supervision, low probability, insufficient loan size , unfair screening mechanism non flexibility of the nature of repayment period, not quick process were other factors that caused credit default.

As indicated above there are different factors which influence MSEs for the successfulness of loan repayment from internally and externally. This study was provided that the determinants of loan repayment of MSEs the independent characterized such as; the institutional management related factors, the borrowers related factors and the external related factors that affect loan repayment of SMEs in Alge sachi woreda. Among the factors Age of SMEs leader, leader business related experience, follow up and supervision, lack of marketing accessibility, lack of infrastructure, training, follow-up and supervision, lack of keeping book , record , member size were the focuses of the study.

1.2. Statement of the problem

The Role of SMEs in Ethiopia is essential in poverty reduction through employment generation since national SMEs Development Strategy was formulated in 1997, and government strongly believes that SMEs are the accurate solution to reduce unemployment and poverty. However, there are many challenges that slow down the growth of SMEs in Ethiopia. The Role of SMEs is very important in economic growth, employment generation and poverty alleviation.

Addae-Korankye (2014) analyzed the causes and control of defaults in microfinance institution in Ghana. The study found the cause of loan default to include; inadequate loan sizes, high interest rate ,poor appraisal, lack of monitoring, improper client selection. Measures to control default were found to include training before and after disbursement, observing of clients, , reasonable interest rate and proper loan appraisal.

Ochieng (2015) analyzed loan repayment and credit management of Small, Micro and Medium Enterprises in a Kenyan financial institution. Several factors were analyzed to determine their relationship and impact on default. These factors included age, , loan amount, loan term, loan product, gender, repayment amount, other borrowing, net income, marital status, interest rate and level of education period and type of relationship of the customer with the bank (personal, business, old or new to bank customers) are the factors that affect loan repayment and credit default.

According to Yirgalem (2018) states that Small and Micro enterprise has most important role in economic growth of both developed and developing countries seriously by helping poor people with creation of job, and improving their bad standard of living in their day to day economic activities. In addition, the growing of these economic activities in different sector such as industry, Service and agriculture has high contribution for GDP of the country.

Dire (2018) Argued that the determinants of loan repayment of SMEs in Jimma town stated that ; sex of respondents, experience. Lack of Marketing Skills, Follow up and supervision positively and significantly influenced loan repayment of micro and small enterprises. The inconvenience of loan payback period, Lack of financial skill and planning negatively and significantly affected loan repayment of enterprises.

Geleta (2018) Determinant of loan repayment performance of MSEs in the case of oromia credit and saving Share Company branches under Oromia Special Zone around Addis Ababa. He stated that the factors that determine the loan repayment performance of SMEs are characterized as the lender, SMEs, the external related factors and demographic factors. Thus, the researcher identified the loan repayment performance of SMEs were affects positively or negatively; leader education level, training, supervision, loan interest rate, market accessibility, Technology are the positively affects the loan repayment performances. Internal rule and regulation, easily access to loan are negatively affects the loan repayment performance of the performance of SMEs

Borena & Waktola (2019) Studied to analyze the determinants of loan repayment performance of micro enterprises a case of Oromia Credit and Saving Share Company operating in the East Wollega Zone. They used the survey data conducted using structured question in order to collect primary data from branches and secondary data from published and unpublished documents by analyzing descriptive statistics and ordered using logit model by using STATA software version 12. Their study showed that out of predicting used in the study group leader education, group leader experience in similar business, the enterprises beginning capital, loan repayment period, loan follow-up, training officers of OCSSCO and the output market were positively affect the loan repayment performance. however the enterprises group size, additional loan they received, problem of information disclosure among members, the problem statement recording experience in the business, loan interest rate, have negatively affect the loan repayment.

According to Chali, etal.,(2014) A studies on determinants of loan repayment performance the case of sidamo MFIs, Sidama zone SNNPR, Ethiopia. They conducted the survey data were collecting through primary and secondary data. Used multi stage stratified sampling technique and followed to select sample respondents from the whole population of the study and they used logistic regression model. According to their investigation age, education, time laps between loan application and disbursement, loan size, loan diversion, repayment period, number of dependents, training, and

supervision were important variables which had significantly determined loan repayment rate. Timely release of loan, allowing suitable repayment period, and approving equitable loan size that suffices to borrowers are some suggested variables, assuming that these enhance loan repayment performance.

Solomon (2013) analyzed the factors that in influencing the formal loan repayment of urban woman in Tigray and evaluating the loan estimation results of the descriptive statistics and the logit model show that income, loan size, level of education, number of times borrowed are main and significant factors that enhance the loan repayment performance. Concerning the loan rating, aged borrowers, have another loan, number of times borrowed or health expenditure, education, number of dependents number of dependents, apply large amount of loan amount, social ceremonies supervision, high income and loan diversion are studied.

Kebede & Tafese (2016) studied on the identifying and analyzing such determining factors of loan repayment rate is vital in the achievement of profitability and sustainability of MFIs Study on Private Borrowers around Wolaita and Dawuro Zone collected data from primary and secondary resources and analyzed by using two limit Tobit model. Study revealed that the age of respondents and Loan diversion negatively and significantly determines the loan repayment performance of borrowers. The education level determines loan repayment positively and significantly.

As discussed above the empirical related literatures review different authors were conducted a study on the determinants of loan repayment inside & out of the country, but they does not include very important independent variables such as; infrastructures (shortage of water supply and electric power interruption problem of power interruption) and keeping of record. So by adding this two new independent variables together with existing variables answer the important question of what are the determinants of loan repayment of SMEs in the Alge sachi woreda.

Also the current study were different from the previous studies since the previous study focused on the performance of micro finance institutions and banks, but this study focused on Small and Micro enterprises by analyzing Nine(9) independent variables under; the institutional management related factors (Training, follow-up and supervision and repayment period) the borrower's related factors (Age of borrowers, experience, member size and book keeping record) and the external related factors(market accessibility and infrastructure) that determine loan repayment of MSEs in the study area.

Still as far as I know there is no similar studies conducted on determinants of loan repayment of MSEs by incorporating all sectors manufacturing, trade, service, agriculture and construction in the study area.

1.2.1 Research questions

In order to achieve the main objectives of the study three research questions were developed.

1. What are the institutional management related factors determines the Loan Repayment of SMEs in the Alge sachi Woreda?
2. What are Borrowers related factors determines the Loan Repayment of SMEs in the Alge Sachi Woreda?
3. What are external related factors determines the Loan Repayment of SMEs in the Alge Sachi Woreda?

1.3. Objectives of the study

1.3.1. General objective

The main objective of the study was to examine the determinants of loan repayment of micro and small enterprises in Alge sachi woreda.

1.3.2. Specific Objectives

Specific objectives of the study were to:

1. To examine the effect of institutional management related factors that determine the loan repayment of SMEs in the Alge sachi Woreda
2. To examine the effect of Borrowers related factors that determine loan repayment of SMEs in the Alge sachi Woreda
3. To examine effect of the external related factors that determine loan repayment of SMEs in the Alge sachi Woreda.

1.4. Significance of the Study

As it was discussed earlier in the background of the study, MSEs are primary source of employment creation developing and developed countries. The MSEs have a crucial role because of their potential contributions to improvement of income distribution, employment creation, poverty reduction, industrial development, rural development, and export growth.

So the finding of this study is helping the studied small and microenterprises how to made proper loan repayment, and to achieve their intended future objective by using the output of this study. This study aims at establishing the determinants of loan repayment thus it findings will be benefits

to; Micro and small enterprises to get knowledge that is used to prevent or reduce the factors that influence their ability to repay loans, Useful for both MSE and MFI to earn credit continuously, and continual operation (sustainability) respectively and also the findings of this study help to indicate the direction for latter researcher in this title area.

1.5. Scope of the Study

This study was conducted in, Ilubabor zone, Alge Sachi woreda. An attempt would make to examine the determinants of loan repayment of Small and Micro Enterprises those registered under enterprises and industry development office and engaged in manufacturing, agriculture, construction, service and trade. The study focused on the institutional management related factors (Training, follow-up and supervision and repayment period) ,the borrower's related factors (Age of borrowers, experience, member size and book keeping record) and the external related factors (market accessibility and infrastructure) that determine loan repayment of MSEs in the study area.

1.6. Limitation of the study

The study investigated the determinants of loan repayment by small and micro enterprises; hence its findings are limited to small and micro enterprises in Alge sachi woreda. Therefore, the study findings may not be applicable to SMEs outside of the woreda. In addition, the scope of the study were small and micro enterprises thus the study findings are limited to small and micro enterprises and may not be applicable to other large business organizations. One such limitation was that some of the respondents declined to respond to the questionnaires, and there were other limitations which are affecting the completeness of the research findings such as time, budget and related factors.

1.7. Organization of the thesis

The thesis has five chapters. The first chapter is an introduction part,background of the study, statement of the problem, and research objective and research questions for the study, scope and significance of the study and limitation of the study. The second chapter deals with the literature review in which critical review of relevant previous research works in the research topic is presented. The third chapter discusses the research methodology that is used to undertake the research. It includes the research approach, target population, sample size and sampling techniques. Chapter four discusses the results of the study. Finally, chapter five; the summary, conclusion and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Introduction

In the chapter both theoretical and empirical literature are concerning to the factors that Determine loan repayment of SMEs. This chapter theoretical foundation of the study critically with issue pertaining the factors affecting loan repayment of small and micro enterprises.

Accordingly the first part of the theoretical review on well, definition of Small and micro enterprises, the Role of SMEs in poverty Reduction and Employment Creations, challenges facing the SMEs, the definition of the credit and loan defaults. The second part is empirical review of different studies conducted in different countries regarding to the determinants of loan repayment of SMEs and definition of the dependent variables and independent variables of the study, conceptual frame work of the study.

2.2. Theoretical literature Review

2.2.1. The Definition of Micro and Small Enterprises (SMEs)

A definition of MSEs in the developed world would differ from how MSEs are defined in the world. Micro and small enterprises have different meaning from country to country, or there is no commonly accepted definition. As cited in article of Shantanu & Londhe (2014) Microenterprises can be defined differently, depending on country's stage of development, policy objectives, and administration. In the majority of countries, SMEs are defined as firms employing between 10 and 250 people. Businesses with up to 10 employees are usually discussed to as micro firms.

According to the Prenaj and Ismajli (2018) study the Definition of small and micro enterprises according to the European Union, the classification of micro enterprises are; medium enterprises includes those enterprises employing fewer than 250 employees, with annual revenue of not more than EUR 43 million. Micro-enterprises that employ fewer than 10 employees and whose annual turnover or annual balance sheet total does not exceed EUR 2 million. Small enterprises (SSEs) are enterprises employing fewer than 50 employees and their annual turnover or annual balance sheet does not exceed EUR 10 million.

Kinde (2012) Micro and small business is an entity that is privately owned and operated, with a small number of employees and relatively low volume of sales. Small businesses are privately owned corporations, partnerships /sole proprietorships. There is common definition of small scale enterprises as small differs by country and industry.

In Ethiopia the MSEs Development strategy defines MSEs according to the number of employees and capital (FeMSEDA, 2010). Micro Enterprise under the industry sector (manufacturing, construction and mining) is an enterprise operates with less than or equal to 5 people including the owner and/or their total asset is not exceeding Birr 100,000. Under service sector (retailer, transport, hotel and Tourism, Information Communication Technology (ICT) and maintenance service). Micro enterprise are an enterprise operating with less than or equal to 5 persons including the owner of the enterprise and/or the values of total asset is not exceeding Birr 50,000. Small Enterprises in the industrial sectors are an enterprise operating with 6-30 persons and/or with a paid up capital of total asset Birr 100,000 and not exceeding Birr 1.5 million. Similarly, in the service sector, small enterprises are an enterprise operating with 6-30 persons and/or with a paid up capital of total asset Birr 50,000 and not exceeding Birr 500,000 (FMSEDA 2010).

Table 1: The enterprises sector, employees and capital in Ethiopia

Enterprises	Sectors	Employees	Capital
Micro enterprises	Industry	≤ 5	\leq ETB 100,000
	Service	≤ 5	\leq ETB 50,000
Small enterprises	Industry	6-30	\leq ETB 1,500,000
	Service	6-30	\leq ETB 500,000

Source: FMSEDA (2010)

Teklay and Amsalu (2017) stated that SME are one of the institutions given recognition in the country's industry development plan. It serves as vehicles for employment opportunities at urban center and it strengthen the economic development. Small and micro enterprise growth is a key area of government policy and direction to solve unemployment problem in Ethiopia. The major initial capital for small and micro enterprises is loans. Since most SMEs lack the primary start-up

capital, facilitating access to loan would absolutely help establish new small and micro enterprises address working capital problems.

2.2.2. The Role of SMEs in Poverty Reduction and Employment Creation in Ethiopia.

The Role of SMEs is very essential in economic growth, employment generation and poverty alleviation. According to Yirgalem (2018) Small and Micro enterprise has most important role in economic growth of both developed and developing countries seriously by helping poor people with creation of job, and changing their bad standard of living in their day to day economic activities. Moreover, the growing of these economic activities in different sector such as industry, Service and agriculture has high contribution for GDP of the country. The role of SMEs are not only income and employment creation According to Abay, Tessema & Gebreegziabher (2014) the External Factors Affecting the Growth of Micro and Small Enterprises (MSEs) in Shire Indasselassie Town, Tigray, the access to credit from formal financial sources, access to infrastructure and access to working premises are significantly affect the SMEs and the role of SMEs are not only income and employment creation but also breeding ground for businesspersons has higher employment capacity and not capital intensive and highly competitive , flexible and innovative.

Tadesse (2010) study the SMEs most reliable economic development and growth, poverty reduction, income generation and employment creation and without SMEs no nation can achieve valuable economic growth and reduction of poverty. The SMEs have great contribution in reducing unemployment and in providing income to those owners and employees of SMEs.

Sartie (2017) Micro and Small enterprises play significant roles in the creations of employment opportunities and generations of income for quite a large proportion of the population. The findings of this research show that the MSEs have great roles in industrial development by playing a base position and sources of inputs for medium and large industries. There are different constraints experienced by MSEs are irregular and inconsistent supply of raw materials and shortage of suitable working premises. Lack of working premises was also found to present difficulties for the informal sector operators which faced with insufficient capital, was often hindered from the start. The problems of raw material shortages, effective marketing practices and lack of working capital faced by SMEs have become difficulties for the expansion of the sector.

2.2.3. What are Loan, loan Repayment, and the causes of loan default?

Loan is defined as a type of debt and like all debt instruments which entails the redistribution of financial assets over time between the lender and the borrower. It is also typically, the money which is expected to be paid back in regular installments or partial repayments periodically that each installment being of the same amount (Signoriello, 1991). Additionally, according to rose (2007), loan repayment is defined as the ability to repay the loan as per the loan agreement and loan defaulting as the inability to repay the loan by either failing to complete the loan as per the loan agreement or neglect the loan. Mabeya (2019) studied on determinants of loan repayment of Small and medium enterprises in Kenya stated that determinants of loan default by SMEs are inherit in owner ship ,borrowers, loan and lenders characteristics are the major factors.

2.2.4. Challenges facing Small and Micro Scale Enterprises in developing countries.

There are so many challenges SMEs in their activities starting from initial new creating to all activities including financial problems that determine the sustainability of the SMEs. According to the Victoria (2014) study in Lusaka SMEs faced with internal and external constraints to growth, such as lack access of finance, excessive competition, vulnerability to crime, lack of market demand, high family demand , cost of stock, administrative corruption, constrictive import/export regulations, uncertainty concerning to business conditions and legal as well as regulatory constraints. According to the Bouazza, Ardjouman & Abada (2015).Studies in Algeria the vital role of SMEs in building a competitive private sector and contributing significantly to employment creation, innovation, and economic development are facing more challenges around the world in general and in developing countries in particular. Algerian SMEs are challenged arise from the interaction between external and internal factors. The unfair competition from the informal sector, cumbersome and costly bureaucratic procedures, burdensome laws, policies and regulations, an inefficient tax system, a lack of access to industrial real estate, a lack of access to external financing and low human resources capacities are the key business environmental factors affecting Algerian SMEs. Conversely, entrepreneurial characteristics, low managerial capacities, lack of marketing skills, and low technological capacities are the main internal factors responsible for the unstable and limited growth of SMEs in Algeria.

According to the Odongo (2014) Lending terms and financial performance of small medium enterprises in Uganda, when lending terms reduces the financial performances of SMEs improves. This show SMEs needs better loan packages designed by FIs and also understand the operations and nature of SMEs in order to propelled their growth potential by creating jobs, wealth accumulations, and long term sustainability of their business. Loan size contributed more to financial performance followed by cost of money and lastly loan repayment period. FIs when providing loans to SMEs also consider the size of the loan since SMEs interest to get more loans to improve on their growth.

The main Challenges facing Small and Micro Scale Enterprises in developing countries is related to finance & management skills .Ghimire (2011) study Micro and small enterprises in Nepal: prospects and challenges. The challenging facing by the SMEs. The age of globalization, Cost, Lack of financing, lack of proper management skill and knowledge, Lack of technical knowhow, lack of marketing strategies are the major challenges in the country. The SMEs are that having access to finance is more successful than those have not access to finance then the SMEs to get access finance they have taken a credit. According to Abay et al.,(2014) investigates the External Factors Affecting the Growth of Micro and Small Enterprises (MSEs) in Shire Indasselassie Town, Tigray, revealed that the access to credit from formal financial sources access to infrastructure and access to working premises are significantly affect the SMEs.

Poor managements practices and multiple taxation around SMEs also the main challenges. Getahun (2016) The Challenge and Prospects of SSE in Ethiopia: A Survey of Some Selected Small Scale Enterprise in Addis Ababa City stated that the empirical studies elicit main challenges which exist to affect performance of SMEs in sub cities which include insufficient finance, poor management practices, multiple taxation insufficient infrastructures and capital shortage in that order, are the main challenges affecting small scale businesses in Ethiopia.

Abay et al., (2014) studied External factors affecting the growth of micro and small enterprises (MSEs) in Ethiopia: a case study in Shire Indasselassie Town studies that SMEs those have access to sufficient infrastructure and access to credit from formal financial sources found high growth rate. Majority of the growing and survival types of SMEs were operating their business on rented working premise from private owners. Access to credit, access to infrastructure and access to working premise have statistically significant effect on the growth of the SMEs. Accesses to credit from formal financial sources and growth of the SMEs have a negative relationship since those SMEs that have access to credit from formal financial sources grow slow than those that have no access to credit. This is may be due to the result of improper management of credit and the credit

may not be used for intended purposes.

According to Mohammed and Zemenu (2014) the analysis intensive competition, starting business without conducting survey, insufficient credit facility, inappropriate tenure, lack of working capital, absence of suitable technology, inappropriate tax imposition, lack of business training, uncollectible receivables and lack of financial management skill and experience are challenges that facing micro and small enterprises (SMEs) of Mekelle city.

According to Kefale & Chinnan (2012) Employment growth and challenges in small and micro enterprises Woldiya, North East Amhara region, Ethiopia the employment growth and challenges face MSEs are market problem, Working capital problem, and working space constraint are the leading important factors on reducing employment growth on small and micro enterprises. The key informants also recognized that lack of awareness about SMEs on employment creation and poverty reduction, lack of determination and strength by owners and inability to implement the trainings given by the government are the major factors that affects employment growth of small and micro enterprises(SMEs). Degefu (2018).Studied on Factors that determine the Growth of Micro and Small Enterprises in the Case of Hawassa City, Ethiopia. Stated that the age, education level, marital status of respondents, involvement of constriction level, sex of respondents, access to finance, access to adequate infrastructure and government motivations are the main factors affecting the SMEs.

Gebeyehu (2002) Loan repayment and its determinants in SMEs financing in Ethiopia. Studied that having other source of education, income, work experience in related economic activity before the loan and engaging on economic activities other than agriculture are improving although loan diversion and giving extended loan repayment period are discouragement factors of the loan recovery performance of projects. He found that borrowers who protected high value of collateral and those with relatively longer repayment period were favored although they tend to be more risky while those with higher equity share and general experience in related activity were disfavored.

Teklay And Amsalu (2017) States that OCSSCO to benefit small and micro enterprises by providing loan, loan interest charge, highly preferred to due to benefiting small and micro enterprises providing easy loan access low interest charge and opening saving account. but, small and micro enterprises encountered absence of loan per demand, training, in sufficient follow-up, and advice grant amount of demanded as much as possible and a advance technology based services Small and micro enterprises services but the government should overcome high tax

charge, market problem lack of working place .

Demisew (2016) studied that the access to credit, access to working premise, and access to infrastructure are found significant in determining the probability of SMEs growth from external factors, financial access, market access and social network influence the growth of SMEs. Entrepreneurs have difficulties in accessing finance, Creativity and product development in entrepreneurs.

According to Chali et al., (2016). study on Determinants of Loan Repayment Performance: The case of Sidama Micro Financing Institution, Sidama Zone, SNNPR, Ethiopia indicated that age, education, time laps between loan application and disbursement, loan size, loan diversion, repayment period, number of dependents, training, and supervision were important variables which had significantly determined loan repayment rate. Their finding of the study underlined the high importance of institutional support in the areas of training and continuous follow-up borrowers, especially for youngsters and low educated and or illiterate borrowers and timely release of loan, allowing suitable repayment period, and approving equitable loan size that suffices to borrowers' business proposals are some suggested variables, assuming that these enhance loan repayment performance.

2.3. Empirical Literature Review

In this part of the thesis different related literatures and studies were critically analyzed and presented. Accordingly, the first section emphasizes on any literatures and studies on factors determinants of loan repayment. Different studies have been conducted regarding the determinant of loan repayment by using different techniques of analysis.

2.3.1. The factors that affect the loan repayment of SMEs

There is so many determinants loan repayment performances of SMEs that studied by several researchers studied ; Mukono (2015) argued that the firm characteristics (type of firm, firm location, type of business, asset ownership) and borrower characteristics are positively influence loan repayment by small and medium enterprises. While loan characteristics (Interest rate, Penalty for lateness, Credit analysis procedure, Lending policies, etc.) are negatively affect the loan repayment negatively loan repayment by SMEs.

Ochieng (2015) analyzed loan repayment and credit management of Small, Micro and Medium Enterprises in a Kenyan financial institution. Several factors were analyzed to determine their relationship and impact on default. These factors included age, period and type of relationship of the customer with the bank (personal, business, old or new to bank customers), loan term, loan product, gender, repayment amount, loan amount, other borrowing, net income, interest rate , marital status and level of education.

Addae-Korankye (2014) analyzed the causes and control of defaults in microfinance institution in Ghana. The study found the cause of loan default to include; inadequate loan sizes, high interest rate, poor evaluation, lack of monitoring, improper client selection. Measures to control default were found to include reasonable interest rate, training before and after disbursement, monitoring of clients, and proper loan assessment.

Shiferaw & Abuye (2019) Determinants of Loan Repayment Performance: Evidence from in Small and Medium Enterprises: In Case of Gurage Zone: Ethiopia, credit monitoring, collateralized loan, revealed that the credit term and loan supervision by the institution assign as the causes of nonperforming loan.

According to Jote, (2018) education level, closeness of borrower's residence to institutions, income from activities financed by the loan, training is positively related with loan repayment, while method of lending, and family size has negatively associated with loan repayment. In addition, other variables such as loan diversification, loan size, nearness of borrower's residence to the institutions, family size, and income from activities financed by loan and training & interest rate social festivals are not major factors that affect loan repayment performance of borrower's MFs.

Chali et al.,(2016) studied on Determinants of Loan Repayment Performance: The case of Sidama Micro Financing Institution, Sidama Zone, SNNPR, Ethiopia. The study showed that Delaying on loan disbursement, approving inequitable loan size that was not sufficient to borrowers business proposal, loan diversion towards unproductive businesses, inappropriateness of repayment period, family size, training services, and shortage of continuous supervisions were the cause of default rate.

According to Dire (2018) study on Determinants of Loan Repayment of Micro and Small Enterprises in Jimma Town, the factors that affect the loan payment are the Demographics characteristics, loan characteristics, firm characteristics, firm characteristics, sex, experience, lack of marketing skills, lack of financial skills and planning, lack of supervision. So that the disability to pay the loan is causes loan default, loan default reduces the ability of the micro finance and the loss of refund of the cash to the new start up SMEs.

Fikirte (2011) examined the Determinants of loan Repayment Performance of Addis Credit and Saving Institution borrowers in the Addis Ababa, Ethiopia. Revealed that out of eleven explanatory variables, eight variables were found to be significant factor for the chance of being defaulter that is age, sex and business experience of the borrowers were found to be significant determinants of loan repayment rate. However, the remaining explanatory variables namely, education level, family size, and dependency ratio had no significant effect on the chance of being defaulter.

Kebede & Tafese (2016) the study factors affecting the loan repayment performance of SMEs Financed by Micro Finance Institutions on Private Borrowers around Wolaita and Dawuro Zone. Investigated that the loan default reduces the lending ability of a financial institution. It also denies new applicants access to credit as the bank's cash flow management problems enhance in direct proportion to the increasing default problem. In other words, it may disturb the normal inflow and outflow of fund a financial institution has to keep staying in sustainable credit market.

Gutu, Mulugeta & Birlie (2017) studied on Determinant Factors Affecting Loan Repayment Performance of Women Borrowers from Micro Finance Institutions in Southwest Ethiopia: Evidence from Four Woredas around Gilgel Gibe Hydroelectric Power Dams by using binary logistic regression model stated that the sex of the borrowers negatively and training and better supervision is positive predictions of borrower's loan repayments. Micro finance has working for the beneficiary of women's must and essential to give attention on the specified problems. Most of the time women have become defaulter when women became defaulter they pay back the loan by selling the resource of household to pay or by borrowing from another micro finance or individuals, that interest rate is greater than microfinance. At the end of the period leads the life of the whole family from hope to worthy than before.

Geleta (2018) Determinants of loan repayment performance of Micro and Small Enterprises: the case of oromia credit and saving Share Company (OCSSC) branches under Oromia Special Zone around Addis Ababa. He stated that the factors that determine the loan repayment performance of SMEs are categorized as the lender, SMEs, demographic factors and the external related factors. Thus, the researcher identified that the loan repayment performance of SMEs were affects positively or negatively; leader education level, training, supervision, loan interest rate, market accessibility, Technology are the positively affects the loan repayment performances. Internal rule and regulation, easily access to loan are negatively affects the loan repayment performance of the performance of SMEs.

Borena & Waktola (2019) intended to analyze the determinant of loan repayment performance of Micro and smalls sectors a case of Oromia Credit and Saving Share Company operating in the East Wollega Zone. The study showed that group leaders education level, group leaders experience in similar business, the enterprises beginning capital, loan repayment period, loan follow up, Training offered by the loan officers of OCSSCO and access to output market for the enterprises finished products were found to positively influence while the enterprises group size, additional loan they received, the problem of financial statement recording experience in the business, problem of information confession among members, loan interest rate, problem of power interruption and shortage of water supply around the enterprise working area have negatively influenced the group loan repayment performance of MSEs sectors in the study area.

According to Asfaw (2013) Determinants of loan repayment performance of industrial projects: The Case of Development Bank of Ethiopia. His finding indicated that age of the borrowers, project location, and ratio expatriates to local employees, education level of the general manger, work

experience of the general manager, and market destination and loan scheme, collateral values and loan size are important factors which significantly affect loan repayment.

2.3.2. Definition and Measurement of Study Variables

1) The dependent variable of the study

Dependent variable; loan repayment of small and micro enterprises and Independent variables were; Age of respondents, Training, follow up and supervision, loan repayment period, Experience, keeping book of records, Member size, Marketing Accessibility, Infrastructures Accessibility were as follow;

Age (Ag); is a continuous variable, defined as the MSEs Leader age at the time of the study measured in years. The ages of the borrowers as a variable, that can influence the loan repayment of borrowers. Kebede& Tafese (2016) study indicates that the borrowers at younger stages become more defaulter than at older age. This is because as when age of borrower's increases they became stable and accumulate wealth and acquire experience in business management and credit use than youngsters. Fikirte (2011) noted that with increase in age, it is usually predictable that borrowers get more strength and experience on their business.

Training (Tr) ; Training is the systematic development of knowledge, skills and attitudes required by an individual or group to perform adequately a given task or job. it contributes to good credit performance and lack of training on the business plan may result in poor loan repayment. Therefore, delivering an adequate and sufficient training to all borrowers in a consistent manner may increase the repayment performance of borrowers. Training is found be statically relationship with and positively influences loan repayment (Abraham, 2016). Pasha and Tolosa (2014) also agree on the importance of well-organized and adequate training so as to improve loan repayment.

Supervision and follow-up (CFS) is supervising/visiting the MSEs activities continuously and giving suggestion, ideas and supporting the weakness side of SMEs. Refers to the frequency of lending institutes officer's visits to the clients business to monitor the effective utilization of loan for the intended purpose. The SMEs offices and the lender microfinance's have to be performing continuous supervision to success the loan repayment performance. It has a negative effect on the probability of borrowers being creditworthy (Abraham, 2016).

Repayment Period (RP) It is the period of time during which the entire loan must be repaid. According to Abraham, the repayment period positive sign expected to influence the loan repayment performance of the SMEs borrowers (Abraham 2016).

Enterprise leader's business related experience (ELE) : having business related experience before joining small and micro enterprises. It has been known that business related experience is one of the determinants that affect the loan repayment rate of borrowers. Abdissa &Fitwi (2016) stated that most of SMEs leaders have no efficient experience and management how to perform activities efficiently and effectively. These lead to unsuccessful because they run their business without having adequate knowledge about business environment.

Keeping a Book of Records (KBR); this refers to recording the financial transactions to the keeping the book of records to monitor and evaluate the profitability and financial position of the SMEs business. The borrowers, who manage their expenses and revenues, may have probably better monitor their loan status than the SMEs have not book records. According to Gebra (2017) keeping business records, conducts the basic cash flow analysis and generally speaking, to make the right business, so that it's important to make the loan repayment performances of borrower.

Member size (MS); Member size of the SMEs is a continuous variable measured by numbers and it refers to the total number of members of the SMEs. A MSEs with high number of dependents in the family have less loan repayment..

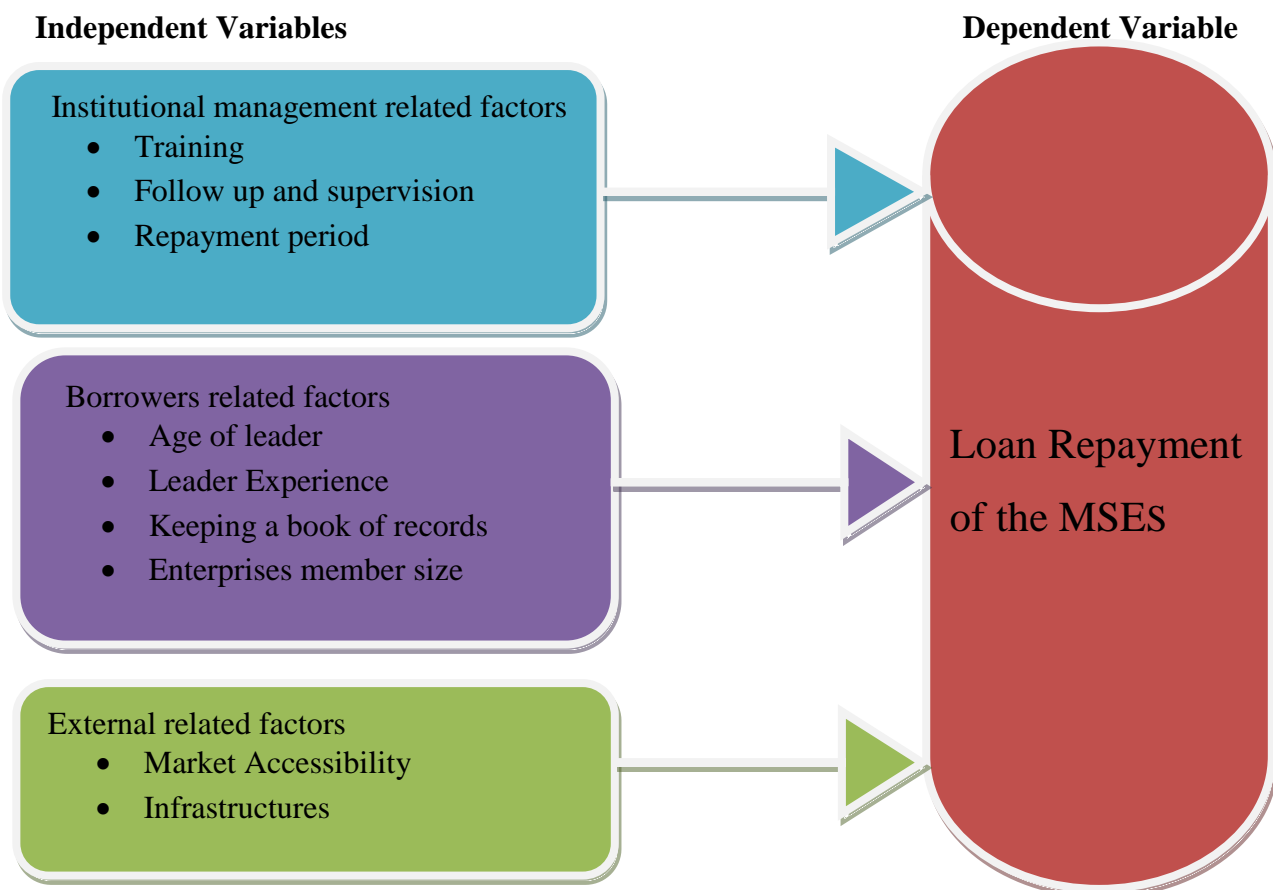
Marketing Accessibility (MA); Access to market accessibility refers to getting the accessible market demand for particular product services. The Small and micro enterprises have to get the market when they produce their product because market accessibility determines the loan repayment. Enterprises create market access for their products and insure existence of market alternatives for their products.

Infrastructures (Inf.); Infrastructure is the term for the basic physical systems of a business such as water supply, and electric systems are examples of infrastructure. The nonappearances of adequate infrastructure adversely affect the quantity, quality and production schedule of the enterprises which ultimately results in under-utilization of capacity.

2.4. Conceptual frame work of the study

Conceptual framework provide theoretical provisions, justifications and speculations for the commonly thought observations (Cooper & Schindler, 2008).

This conceptual model gives clear idea of the problem in the research. Therefore, the researchers tried to set own model of conceptual frame work after intensive review of the previous study in the country and abroad that are closely related to factors in loan repayment of MSEs of the study area. The review literatures from previous empirical studies, factors that determine the loan repayment of SMEs sectors were divided into institutional related factors(lack of training ,follow-up and supervision, repayment period),borrowers related factors (Age of leader , Leader experience, keeping book of records, enterprises member size), and external related factors(Lack of market accessibility and infrastructures(water supply ,electric power interruption and road). Thus this study has constructed the following conceptual frame work based on the reviewed empirical findings.



Source; (own model)

Figure 1: Conceptual framework of Dependent variables and independent Variables

2.5. Research Gap

As discussed above the empirical related literatures review different authors were conducted a study on the determinants of loan repayment of Small and micro enterprises inside & out of the country, but they does not include very important independent variables such as; infrastructures (shortage of water supply and electric power interruption problem) and keeping book of record. So that the researcher tried to adding two new independent variables together with existing variables generally nine(9) independent variables to answer the important question of “what are the determinants of loan repayment of SMEs in the Alge sachi woreda?”.

Also the current study were different from the previous studies since the previous study focused on the performance of micro finance institutions and banks, but this study focused on Small and Micro enterprises by analyzing Nine(9) independent variables under ; the institutional management related factors (Training, follow-up and supervision and repayment period) the borrower’s related factors (Age of borrowers, experience, member size and book keeping record) and the external related factors (market accessibility and infrastructure) that determine loan repayment of MSEs in the study area.

Still as far as I know there is no similar studies conducted on determinants of loan repayment of MSEs by incorporating all sectors manufacturing, trade, service, agriculture and construction in the study area.

CHAPTER THREE

METHODOLOGY OF THE STUDY

3.1. Introduction

In order to examine the determinants of loan repayment of MSEs potentially these studies used a research methodology. This section provided an overview of the study's research approach which lays within the mixed methods strategies. The chapter discusses procedures and activities which would be undertaken, focusing on namely the description of the study area, research design, questionnaire design, data collection, sampling strategy, data processing and analysis and instrument development.

3.2 .The Data Set and Description of the Study Area

These studies were conducted in Alge Sachi Woreda of Oromia regional State. located in the southwestern part of the country and one of the current 14 woreda and one administrative towns of Ilu Ababor Zone of Oromia Regional State. The total population of the woreda Was 109,933 (61,086 male and 48,847 female),has an area of about 812km² which is traditionally classified, as Beda (Dega), Bedadare (woina Dega) and desert (Kolla) climatic zones. About 2% of the total area of the district is Beda (Dega), 98% is Bedadare (woinaDega).The district Experiences an average rain fall of about 2275 mm annually and the average annual temperature of about 20.5 °c.

Physical setting

Location of the district (vicinal and Astronomical)

The vicinal Location (bordering districts, zones) is in the North- western bordered by Wollega zone, and southern by Bilo Nopha, Dorani, and Bunno Beddelle zone bordered its Eastern part and its west part bordered by Darimu woreda.

Astronomical Location (i.e. extension by latitudes and Longitudes) of Alge sachi is approximately found between 8° 23' N –8°44'37"N latitudes and 33° 17' E-35°57'20"E Longitudes. The highest altitude (elevation) in the woreda is Bero Kersa and its Elevation is 2,165.3 m.a.s.l. The lowest altitude (elevation) in the woreda is Geba with Elevation 1,139.2.m.a.s.l.

The Map of Alge sachi woreda

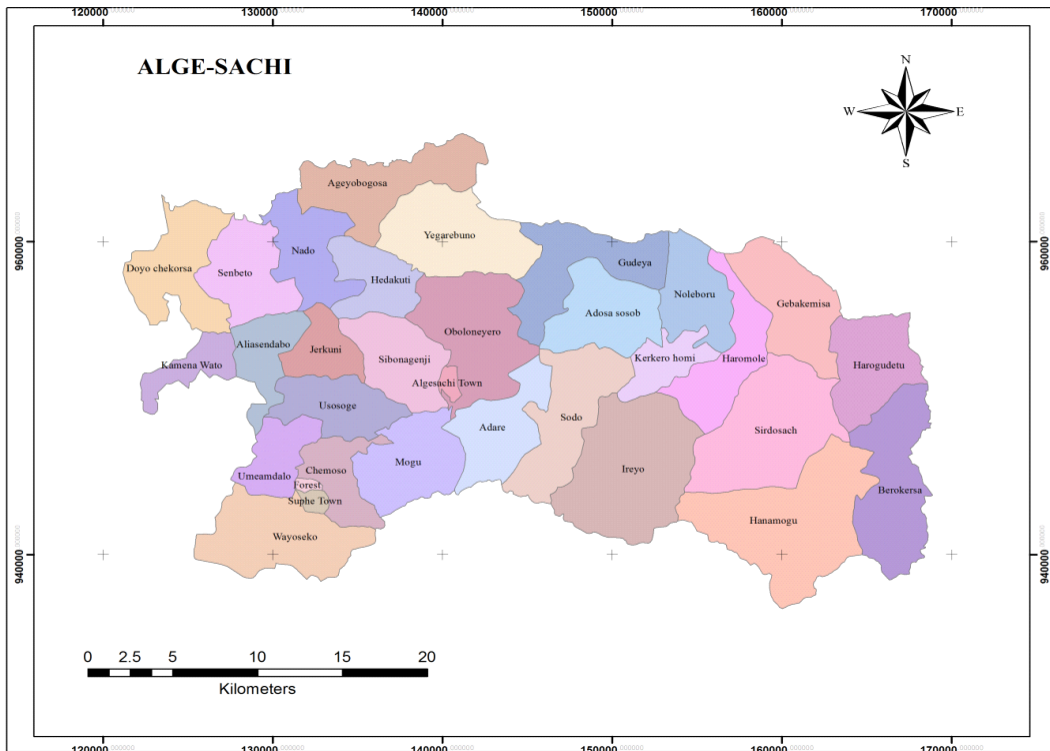


Figure 2 : Map of Alge sachi woreda

Source ;(Alge sachi woreda Administrative office ‘2019)

3.3. Research Approach and Design

Research designing are the blueprint for fulfilling research objectives and answering research question in other words, it is a master plan specify the methods and procedures for collecting and analyzing the needed information. It ensures that the study would be relevant to the problem and that it used economical procedures. This study employed descriptive and explanatory research design.

The major purposes of descriptive research are description of the state of affairs as it existing at present. Then this study would describe critically the determinants of loan repayment of MSEs in Alge sachi Woreda. The study utilized cross-sectional in the sense that all relevant data were collected at a single point in time and obtaining information from a cross- section of a population at a single point in time is a reasonable strategy for following many descriptive researches.

In this study, a combination of qualitative and quantitative approaches of doing research were employed which has been practice, as recommend by Creswell (2009). Quantitative data was analyzed by using descriptive statistical tools by using SPSS 23. Qualitative content analysis would be the major approach that the study was used in analyzing the quantitave data (qualitative data used to support quantitative by using interview). Moreover, Binary logistic regression model were apply for independent or explanatory variables which show a significant effect on the loan repayment.

3.4. Target population

According to Alge sachi woreda enterprises and industry development office Annual report of (2019), there are about 352 MSEs engaging in different kinds of MSSEs activities. Therefore, the researcher took 352 MSEs borrowers registered and organized by government in the woreda those engaged on activities manufacturing, construction, service trade and agriculture from above total population from 352 MSEs; Constriction(21) ,Manufacturing (51), Trade (134), Agriculture (30) and Service (116) .

3. 4 .Method of Data Collection

3.4.1. Primary data collection

In order to recognize the target, the study self-administrated questionnaires supported by interview' collected from the head of the Small and micro enterprises of Alge sachi woreda the selected sectors that are involves in construction, manufacture, trade, service and agriculture.

3.4.2. Secondary data collection

Secondary data were taken from micro and small enterprises' enterprises and Industry Development office different registration files, office manuals, circulars and policy paper and entrepreneur's data would be used to provide additional information where appropriate.

3.5. Sample size determination

There are several way to determine sample size these include using a census for small population, irritating a sample size of similar studies, using published tables and applying formula to calculate a sample size (Selam,2016).but depending on the objective of the study the yemane (1967) were used to selected to determine the sample. The more heterogeneous a population, the larger sample size required to be, to obtain a given level of precision (GUMA, 2012).

In this study Yamane (1967) formula was used to determine representative sample size of target population as follow:-

$$n = \frac{N}{1 + N(e^2)}$$

Where n = sample size

N= total population

e= level of precision

$$n = \frac{352}{1 + 352(0.05)^2} = n = \frac{352}{1 + 352(0.0025)} = 187$$

According to above formula the study was carried out on 187 respondents with proportional allocation of sample size to each sector, by including manufacturing, construction, urban agriculture, service and Trade. According to above formula the study carried out on 187 respondents with proportional allocation of sample size to each sector. The confidence level applied to the study is 95%, N (total population) =352 e (level of precision)=50% and (n) sample size 187.

3.5.1. Sampling techniques

For this study stratified random sampling techniques were used. At the first stage, the Alge sachi woreda SMEs was selected purposively due to so far there is no scientific studies has been taken regarding to loan repayment in this study area. So, researchers motivated to examine the determinants of loan repayment of borrowers in Alge sachi woreda.

The population of the study have heterogeneous characteristic among strata and homogenous with in groups for this method stratified sampling technique is used. In this technique the population was stratified in to give strata and samples items were selected from each stratum. After the determination of sample size, the allocation of these sample size to each sectors of MSEs in the study area was carried out through proportional allocation method of stratified random sampling.

For Distribution of these sample proposed by (bowley 1926).In this method, the sampling fraction, sample size (n)/total population is same in all strata. This distribution was used to get a sample that can estimate size of the sample with greater speed and a higher degree of precision. The allocation of a given sample size to different stratum was done in proportion to their sizes. i.e. in the ith stratum (GUMA, 2012).

$$n_i = n \frac{N_i}{N}$$

Where n= sample

N_i= population size

N= total population

By applying the (boyley 1926) formula the sample size across strata as follow;

Table 2: Sample size determination of the study

Strata's	Ni(total population)	Formula	Sample
Trade	134	187(123/352)	71
Service	117	187 (108/352)	62
Manufacturing	51	187 (46/352)	27
Agriculture	30	187 (27/352)	16
Constriction	20	187 (20/352)	11
Total	352		187

3.5.2. Sample Frame

Sampling frame is the list from which a sample is drawn (Kumar, 2011). According to Kothari (2004),the elementary units or the group or cluster of such units may form the basis of sampling process in which case they are called as sampling units .In this study sampling frame was organized into homogeneous characteristics of strata before selecting elements for the sample depend on sample size as follow:

Table 3: The sample total population and frame of the study

	Business sector	Population	Sample
1	Trade	134	71
2	Service	117	62
3	Manufacturing	51	27
4	Agriculture	30	16
5	Constriction	20	11
	Total	352	187

3.6. Method of Data Analysis

This is the further transformation of the process data to look for patterns and relationship between and among data groups by using descriptive and inferential analysis of the data (statistical) analysis. The statistical packages for social science (SPSS) version 23 were used to analyze the data obtained from primary sources.

Particularly regression analysis was used for estimating or predicting a value on some dependent variable given the values of one or more independent variables. Binary logistic was used as the model of analysis for this study since it was appropriate to analyze cause and effect when the dependent variable is categorical in nature.

The data analyzed through pie chart, graph, frequency table & used the tests such as multicollinearity test among the predictors (independent variables) this can be assessed by a correlation matrix among the predictors (independent variables), Omnibus tests of model coefficient is used to check that the new model(explanatory variable included)is an improvement over the base line model, Hosmer Lemeshow which is commonly used measure of goodness of fit based on the χ^2 distribution with 8 degrees of freedom (with large p-value >0.05) indicate a good fit to the data.

3.6.2. Specification of the model

The (Gujarati, 1988) have recommended probit model for functional forms with limited dependent variables that are continuous between 0 and 1, and logit models for discrete dependent variables (Solomon, 2013). Then, the binary logistic model is appropriate for this study and cumulative logistic probability model is econometrically specified as follows:

$$P_i = F(Z_i) = F(\alpha + \sum \beta_i X_i) = \frac{1}{1 + e^{-Z_i}} \dots \dots \dots 1$$

Where, P_i is the probability that an individual will make a certain choice (default or does not default) given X_i e denotes the base of natural logarithms, which is approximately equal to 2.0718;

X_i represents the i^{th} explanatory variables; and α and β_i are parameters to be estimated

According to Hosmer & Lemeshew (1989), the binary logistic model could be written in terms of the odds and log of odds, which enables one to understand the interpretation of the coefficients. The odds ratio implies the ratio of the probability (P_i) that an individual would select an alternative to the probability ($1 - P_i$) that would not choose it.

$$\frac{P_i}{1 - P_i} = \frac{1}{1 + e^{-Z_i}} \dots \dots \dots (2)$$

Therefore

$$\frac{P_i}{1 - P_i} = \frac{1 + e^{Z_i}}{1 + e^{-Z_i}} = e^{Z_i} \dots \dots \dots (3)$$

$$\frac{P_i}{1 - P_i} = \frac{1 + e^{Z_i}}{1 + e^{-Z_i}} = e^{(\alpha + \sum \beta_i X_i)} \dots \dots \dots (4)$$

By taking the natural logarithm of the equation (4)

$$Z_i = \frac{P_i}{1 - P_i} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \dots \dots \dots + \beta_m X_m \dots \dots \dots (5)$$

Odds and odds ratio are significant terms in logit model. Odds are defined as the ratio of the number of events that occurred to number of events that did not occur. Odds ratio is the ratio of two odds, in other words, the ratio of likelihood to another.

In Equation 4, two probabilities, defaulters and non-defaulters probability of an event are proportioned and this is the odds of proportion. It is important to understand that possibility, odds, and logit concepts, are three different ways of explaining the same thing (Menard, 2002).

$$Z_i = \alpha + \beta_i X + U_i \dots \dots \dots (6)$$

Description of the Dependent variables together with their expected models was given below:
 Dependent variable (LR): is defined as the loan repayment of MSEs, which is a dummy variable taking a value Zero if the MSEs is defaulter and one otherwise.

LR= loan repayment (LR) = (0=yes if defaulter, 1 otherwise) LR = f (Age, Training, follow-up and supervision, Loan repayment period, marketing skills, follow-up and supervision, Experience, marketing skills, infrastructures, book keeping records)

$$LR = \alpha + \beta_1 \text{Age} + \beta_2 \text{Tr} + \beta_3 \text{FS} + \beta_4 \text{LRP} + \beta_5 \text{Expr} + \beta_6 \text{LMA} + \beta_7 \text{MS} + \beta_8 \text{IS} + \beta_9 \text{BKR} + \mu_i$$

Where

LR=loan repayment β_i = Parameters to be estimated α = constant term μ_i = disturbance term

Age= Age of respondents Tr=Training IS= Infrastructures

MS=member size Experience =Experience of respondents

LRP= loan payback period LMA= Lack of Marketing Accessibility

FSP= keeping book of records FS=Follow up and supervision

They are also measured by 0 or 1 which takes the value of Yes or No respectively.

3.7. Reliability and validity

According to (Morgan ,2010) Cronbach’s Alpha is a very common measure of reliability (internal consistency) in the research literature. And (Catherine, 2011) raises the need to pilot questionnaire once it is constructed, accordingly, internal consistency reliability test was conducted in test of with a sample of 187 respondents and the Cranach’s alpha coefficient for the instrument was found as 0.713 which is fairly reliable. Researcher like (Cohen ,2009) suggests that an alpha value greater than 0.70 is reliable.

Table 4: Reliability test

Reliability Statistics	
Cronbach's Alpha	N of Items
0.713	36

The above table 4; indicated that the reliability test conducted on the key dependent and independent variables. The result indicates that the cronbach’s alpha value of 0.713 which exceeds acceptable level of 0.60 hence the reliability of research is at moderately good model.

Model validity refers to the stability and reasonableness of the logistic regression coefficients, the plausibility and usability of the fitted logistic regression function and the ability to generalize inferences drawn from the analysis. Often the validation of a model seems to consist of nothing more than quoting the Cox and Snell R² or Nagelkerke adjusted R² statistic (Nagelkerke R Square shows that about 70.9% of the variation in the outcome variable which is loan repayment is explained by this logistic model. Use of a model that does not fit the data well cannot provide good answer to the underlying prediction or scientific questions under investigation. Hence validation is a useful and necessary part of the model-building process (Nagelkerke, A.1991).

3.8. Operational definition of Dependent and independent variables and Hypothesis

3.8.1. The dependent variable of the study

The dependent variable has a dichotomous nature measuring Loan Repayment of SMEs borrowers in the year 2019/2020. This is to distinguish or discriminate between those Non defaulters and defaulters in the study area. It takes a value of 1 if the MSEs Repay loan otherwise 0. if the SMEs did not repay.

3.8.2. Independent variables were; Institutional management related factors (Training, follow up and supervision and loan repayment period), Borrowers related variables (Experience, keeping book of records, Member size) and external related factors (lack of Marketing Accessibility), Infrastructures Availability (electric power and water supply).

Age (Ag); is a continuous variable, defined as the MSEs Leader age at the time of the study measured in years. The ages of the borrowers as a variable, that can influence the loan repayment of borrowers. Kebede, M., & Tafese, T. (2016) study Indicates that the borrowers at younger stages become more defaulter than at older age. This is since age of borrower's increases they became settled and accumulate wealth; obtain experience in business management and credit use than youngsters.

H1; Age (Ag) has significant relationship with and positive effect on Loan repayment of MSEs in Alge sachi woreda.

Training (Tr) ;Training is the systematic development of knowledge, skills and attitudes required by an individual or group to perform adequately a given task or job. Borrowers who are prepared with relevant training and skill developments can efficiently manage and monitor the day-to-day activities of their business. Training enables the borrower to expand and effectively run the existing business or enhance their capacity of engaging in the new businesses. Delivering an adequate and sufficient training to all borrowers in a consistent manner may increase the repayment performance of borrowers. Training is found be statically relationship with and positively influences loan repayment (Abraham, 2016).

H2; Training has significant relationship with and positive effect on Loan repayment of MSEs in Alge sachi woreda.

Supervision and follow-up (CFS) is supervising/visiting the MSEs activities continuously and giving suggestion, ideas and supporting the weakness side of SMEs. Refers to the frequency of lending institutes officer's visits to the clients business to monitor the effective utilization of loan for the intended purpose. The SMEs offices and the lender microfinance's have to be performing continuous supervision to success the loan repayment. Accordingly, it is expected to have a negative effect on the probability of borrowers being creditworthy (Abraham, 2016).

H3; Continuous Supervision and follow-up (CFS); has significant relationship with and positive effect on Loan repayment of MSEs in Alge sachi woreda.

Repayment Period (RP) ;it is the period of time during which the entire loan must be repaid. It is a continuous variable. Short repayment period might cause the borrower not to have enough revenue to make loan repayments.(Taddese 2017). According to Abraham, the repayment period positive sign expected to influence the loan repayment performance of the SMEs borrowers (Abraham 2016). However, Mensah (2013) indicated that, there was no significant relationship between loan default and repayment schedule in Microfinance institutions. The study finds significant relationship between interest, moral hazard, charged on loans and over-borrowing by customers.

H4; Repayment period has significant relationship with and positive effect on Loan repayment of MSEs in Alge sachi woreda.

Enterprise leader's business related experience (ELE): is having business related experience before joining small and micro enterprises. Enterprises managed by inexperienced managers have higher probability of failing to repay the loan. Experience is the best teacher .Borrowers'' problem of pre-selection of business activity, lack of financial statement preparation, lack of business management knowledge, inability to generate additional income from other activities, failure to satisfy customers in delivering quality of product and failure of the business. All these variables revolve around the effectiveness of the business related experience of the MSEs (Geleta 2018).

H5; Enterprise leader's business related experience (ELE); has significant relationship with and positive effect on Loan repayment of MSEs in Alge sachi woreda

Keeping a Book of Records (KBR); this refers to recording the financial transactions to the keeping the book of records to monitor and evaluate the profitability and financial position of the SMEs business. The borrowers, who manage their expenses and revenues, may have probably

better monitor their loan status than the SMEs have not book records. According to Gebra (2017) keeping business records, conducts the basic cash flow analysis and generally speaking, to make the right business, so that it's important to make the loan repayment performances of borrower.

H6; Keeping a Book of Records (KBR); has significant relationship with and negative effect on Loan repayment of MSEs in Alge sachi woreda

Member size (MS); Member size of the SMEs is a continuous variable measured by numbers and it refers to the total number of members of the SMEs. A MSEs with high number of members have less loan repayment. Rehman (2010) found that member size significantly and inversely affecting loan repayment. The expected effect of member size on loan repayment was negative for SMES who have large member size.

H7; Member size (MS); has significant relationship with and Negative effect on Loan repayment of MSEs in Alge sachi woreda

Marketing Accessibility (MA); Access to market accessibility refers to getting the accessible market demand for particular product services. The Small and micro enterprises have to get the market when they produce their product because market accessibility determines the loan repayment. Enterprises create market access for their products and insure existence of market alternatives for their products. So the higher of market access results the higher probability of getting profit and the greater level of enterprises loan repayment performance and it positively affect and statically significant to loan repayment performance (Geleta 2018).

H8; Marketing Accessibility (MA); has significant relationship with and Negative effect on Loan repayment of MSEs in Alge sachi woreda

Infrastructures (Inf.); Infrastructure is the term for the basic physical systems of a business such as water supply, and electric systems are examples of infrastructure. Ethiopian economy characterized by inadequate infrastructure which is a major problem for small units to grow. Thus absences of adequate infrastructure unfavorably affect the quality, quantity and production schedule of the enterprises which ultimately results in underutilization of capacity.

H9; Infrastructures (Inf.); has significant relationship with and positive effect on Loan repayment of MSEs in Alge sachi woreda

Table 5; Variables and its measurement

	Variables	symbol	Measurement	Expected sign	References
1	Age of leader	Age	Age of SMEs leader in years	+	Kebede & Tafese (2016),Pasha& Negese (2014)
2	Leader experience		1=Yes if have business experience before joining MSEs, 0=No,other wise	+	Geleta (2018)
3	Enterprises member Size	MS	No. Of enterprises member	-	Girma (2018)
4	Keeping a book of records	KBR	1= yes if Available 0= No other wise	-	(Gebra 2017)
5	Repayment Period	RP	1=yes if RP enough 0= No other wise	+	Borena & Waktola (2019), Kebede & Tafese (2016)
6	Training	Tr	1=yes if have trained 0= No other wise	+	(Borena & Waktola (2019) and Abraham (2016).
7	Continuous supervision	CS	1= yes if supervised 0= No other wise	+	Abraham, (2016), Borena& Waktola (2019)
8	Market Accessibility	MA	1= yes if Accessible 0= No other wise	-	(Dire (2018)), (Pasha, S. & Negese, T. (2014)),(Geleta (2018)
9	Infrastructures	Inf	1= Available 0= No other wise	+	(Melkamu&Amanu2019)

3.9. Ethical Consideration

The purpose of the study was to explain the participants and the study would ask their consent to answer questions in the questionnaires. The study also informed the participants that the information they provided was only be used for the study purpose. Accordingly, the study would be used the information from his participants only for the study purpose. To ensure the safety, social and psychological well-being of respondents and others participant;

- i. The researcher was got an introduction letter from the Jimma University of Post Graduate Studies that introduces him to Jimma Town out his study.
- ii. The researcher would have got permission from the enterprises and industry development Office of Alge sachi woreda to carry out the study.
- iii. The researcher seeks consent of the respondents.
- iv. The researcher ensures that the information would be given was treated with confidentiality. The researcher also quotes all the authors used in the study.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1. Descriptive Results

4.1.1. Questionnaire response Rate

For the respondents One hundred eighty seven (187) questionnaires were distributed across the five sectors in the woreda out of which 179 were completed and retrieved successfully, representing 95.72% of the response rate of the 187 questionnaires administered 11, 27, 62, 71, and 16, for construction, manufacture, services, trade and agriculture were distributed respectively.

The numbers of questionnaires retrieved from; Manufacture 25, construction 11, services 60, trade 68 and agriculture 15 were collected. This represents a response rate 92.6%, 100%, 96.7%, 95.77%, and 93.75% for manufacturing, construction, services, trade and agriculture respectively. Some respondents did not give answer to some questions and in the analysis part reported as “missing system

4.1.2. Background information of respondents

The respondents’ personal information like sex, age, Educational level, marital status experiences and Business type were analyzed presented below.

a) Sex of respondents

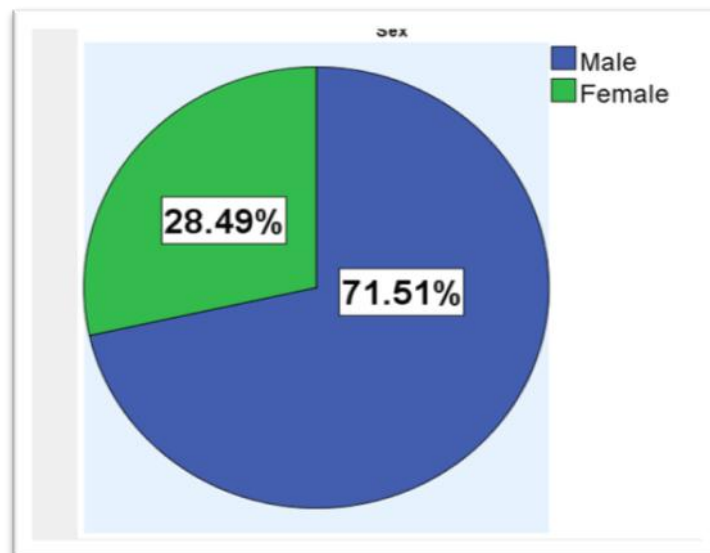
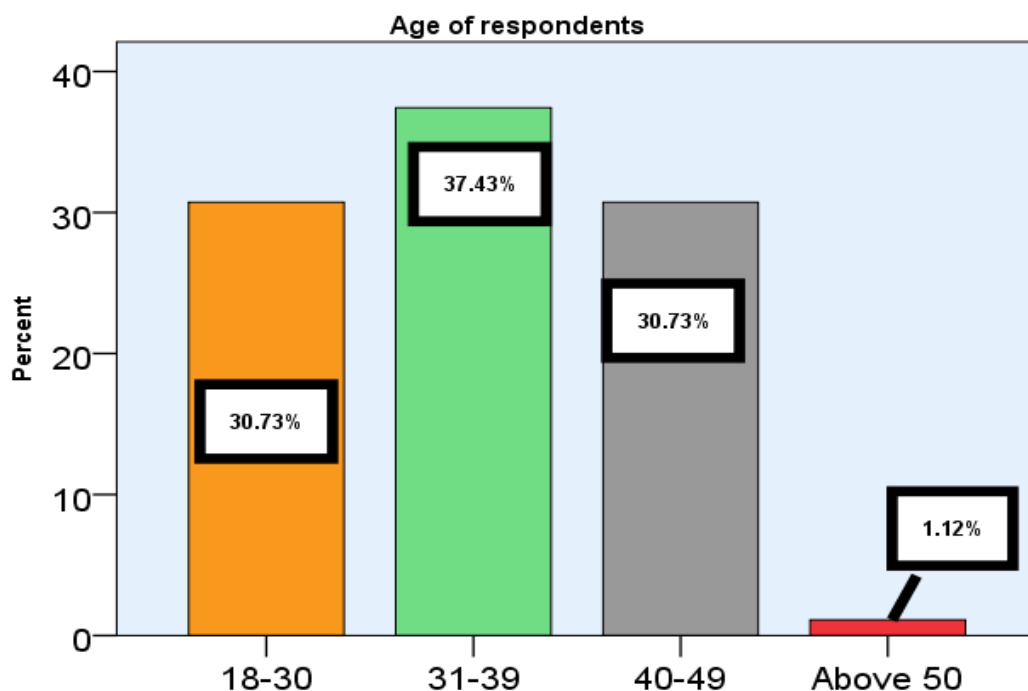


Figure 3: Chart of sex of respondents

Source own survey, 2019

As indicated in the above figure 3, the sex of the respondents were 71.51% and 28.49% of the respondents were male and female respectively. This implies that majority of leader of SMEs were male respondents. This shows that the participation of women in business activity is very low as compared to male operators. This indicates that male operators are dominant in MSEs Operation because the gender distribution reflects a wide variation of gap.

b) Age of respondents



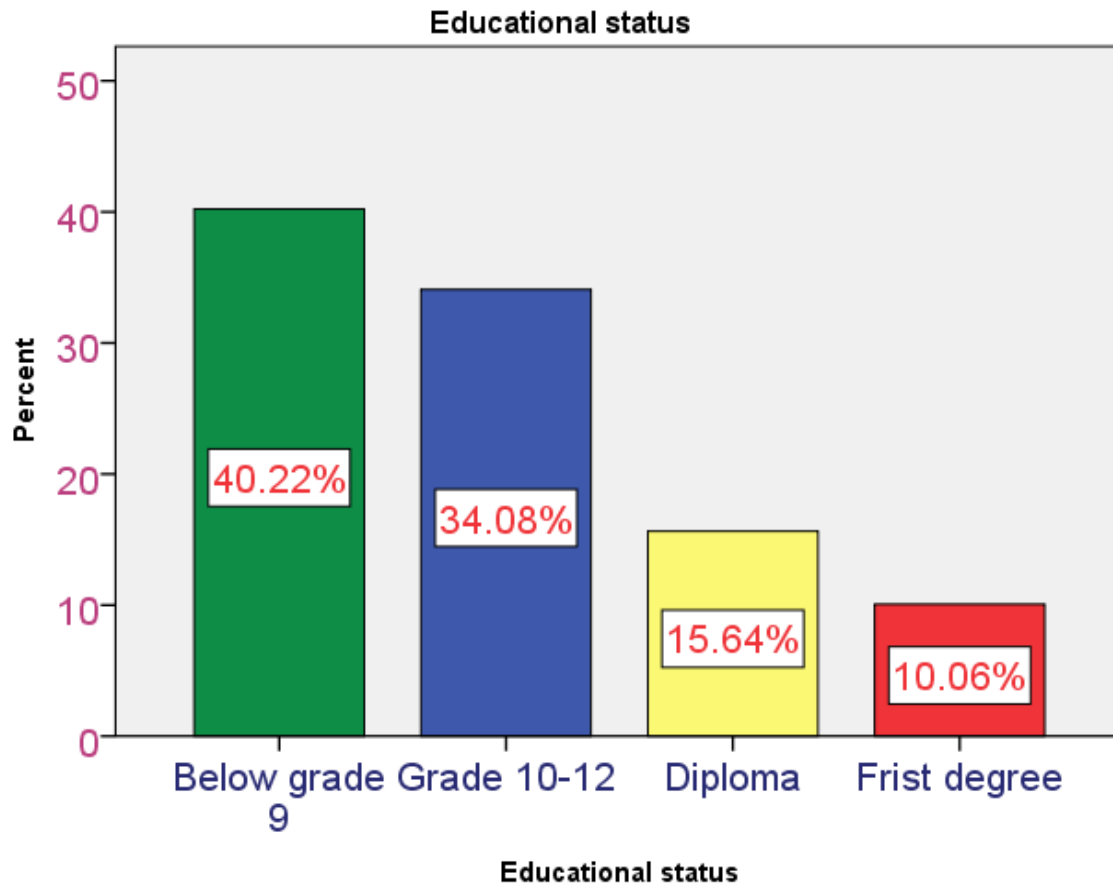
Source own survey, 2019

Figure 4 ; Age of respondents

As it was indicated in the above figure 4, the age of the respondents were ranged between 18 -30 years 55 (30.73 %) of the respondents, age were between 31-39 years 67 (37.4%) of the respondents, ages were between 40 - 49 years 55(30.7%) and 2 (1.12%) above 50 years respectively.

This implies that different age group of respondents had been involved as the respondents of this study; in that the responses obtained from this group can be considered as the responses obtained from respondents those who have different life experience. Majority of respondent’s age group were between 31-40 years 37.43% it shows that most of SMEs run by Youngers.

c) Educational level of respondents



Source own survey, 2019

Figure 5 ; educational level of respondents

The above figure 5, shows that the education level of the managers of SMEs respondents were; (40%), (34.1%), (15.6%), and (1.06%) the educational levels of the respondents were below grade 9, grade10-12, diploma and degree respectively. In addition, 59.78% of the total respondents have completed grade 10 and above.

This suggests that the majority of MSEs in Alge sachi worda is run and operated by completed grade 10-12 and above 40.2 % of the MSEs managers are below grade 9. This implies that most of them have attained high school qualification. Given the findings one can infer that the vast majority of the leaders have acquired the basic education. In conclusion, majority of the operators are less in academic qualification which is believed to be crucial in running their business effectively.

d) Marital status of respondents

Table 6; The marital status of the respondents

Marital Status				
	Frequency	Percent	Valid Percent	Cumulative Percent
Married	105	58.7	58.7	58.7
Unmarried	67	37.4	37.4	96.1
Windowed	6	3.4	3.4	99.4
Divorced	1	.6	.6	100.0
Total	179	100.0	100.0	

Source; SPSS output, 2019

The table 6; above shows that the marital status of respondents that, 105 (58.7%), 67 (37.4%), 6 (3.4%) and 1 (0.6%) of the respondents marital status were, married, unmarried, windowed and divorced respectively, this implies the majority of SMEs are married.

e) Experience of the respondents

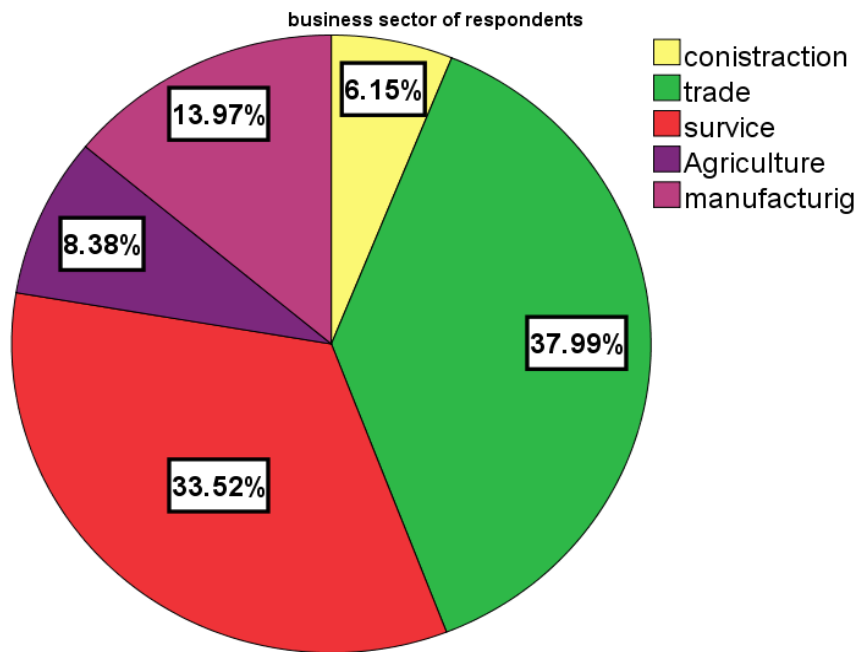
Table7; The respondents business related experience before joining current business

The respondents business related experience before joining current business				
	Frequency	Percent	Valid Percent	Cumulative Percent
No experience	131	73.2	73.2	73.2
1-5 years	46	25.7	25.7	98.9
above 5 years	2	1.1	1.1	100.0
Total	179	100.0	100.0	

Source; SPSS output, 2019

From the above table 7; the respondent out of 179, have no experience before joining the current business, 131(73.2%), 5-10 years' experience 46 (25.7%) and above 10 years' experience 2(1.1%). The result implies the majority of SMEs owners 73.2% have no experience related to business before joining current business enterprises. This shows that most of the managers of enterprises were inexperienced, and it indicated that the Majority of Small and micro enterprises in the Alge sachi woreda were running by inexperienced owners or managers. It had no value for effectiveness of business activities.

e) **Business sectors**



Source: Alge sachi Woreda enterprises and industry development office 2019

Figure 6; The Business sector of respondents

The above Figure 6; 6.15%, 37.99), 33.52%, 8.4% and 13.97% of respondents were engaged Construction, Trade, Service, Agriculture and Manufacturing respectively. This indicates that the majority of respondents were engaged in service and Trade.

Table 8; Characterization of Defaulters and non-defaulters by demographic
Cross tabulation

		loan repayment				Total	
		Non defaulter		Defaulter			
		N	%	N	%	N	%
Age	18-30	26	31.7%	29	29.8%	55	30.72
	31-39	30	36.5%	37	38.1%	67	37.43
	40-49	25	30.48%	30	30.92%	55	30.72
	Above 50	1	1.2%	1	1.02%	2	1.11
	Total	82	45.8%	97	54.1%	179	100
Sex	Male	59	46.09%	69	53.9%	128	71.51
	Female	23	45.09%	28	54.9%	51	28.49
	Total	82	45.81%	97	54.18%	179	100
Educational status	Below grade 9	36	43.9%	36	37.11%	72	40.22
	Grade 10-12	25	30.48	36	37.11%	61	34.07
	Diploma	13	1.85%	15	15.4%	28	15.64
	Frist degree	8	9.7%	10	10.3%	18	10.05
	Total	82	4.8%	97	54.18%	179	100
Marital status	Married	46	56.09%	59	60.8%	105	58.65
	Unmarried	33	40.2%	34	35.05%	67	37.43
	Windowed	3	3.6%	3	3.09%	6	3.35
	Divorced	0	-	1	1.03%	1	0.56
	Total	82	45.8%	97	54.18%	179	100

Source; SPSS output, 2019

As we see from Table 8; the respondents between 18-30 years were 26(31.7%) and 29(29.8%) are defaulters and non-defaulters respectively. From 31-39 years were 30(36.5%) were non defaulters and 37(38.1%) of respondents were defaulters. From 40-49 years 25(30.48%) were non defaulter and 30(30.92%) were defaulters. The respondents 50 & above years were 1 (1.2%) and 41(35.7%) were non defaulters and 1(1.02%) were defaulters.

Table 8; indicated that males 128 (71.5%) sampled respondents had the highest percentage and female 51(28.49%) respondents. This implies that participation males respondents in MSE was high than females and, male respondents 69(53.9%) were defaulters and 28(54.9%) were female defaulters. Also from the total defaulter respondents male respondents were relatively more

defaulter than the female respondents. Among the sampled respondents the highest share of educational level by the leader respondents were those who attained below grade Nine are 72(40.22%) and followed by respondents those who complete grade 10-12, diploma 28(15.64%) and degree 18(10.04%) respectively.

This shows that more educated borrowers more likely repay their loan timely than those less educated borrowers. In other expression MSE those attained lower education levels were more defaulter than those attained higher education level. Results revealed that married 105 (60.8%) sampled respondents had the highest percentage share of the marital status and followed by unmarried, divorced and then widowed respondents. This implies that participation of married respondents in MSE was very high and followed by unmarried, divorced and then widowed respondents.

Also the married respondents 59(60.8%) were more defaulters and 34(35.05%) unmarried, widowed 3 (3.09%) and 1(1.03%) divorced respondents respectively. This implies that married respondents are more defaulter unmarried respondents.

Table 5; Business sector with loan repayment cross tabulation

Business sector of respondents * loan repayment							
	Business sector of respondents	Loan repayment				Total	
		Non defaulter		Defaulter		N	%
		N	%	N	%		
1	Construction	4	36.36	7	63.36	11	6.15
2	Trade	38	55.88	30	44.11	68	37.99
3	Service	27	45.00	33	55.00	60	33.52
4	Agriculture	5	33.33	10	66.66	15	8.4
5	Manufacturing	8	32.00	17	68.00	25	13.97
	Total	82	45.80	97	54.20	179	100

Source; SPSS output, 2019

The Table 9; from the total sample of respondents 11(6.15%), 68(37.99%), 60(33.52%), 15(8.4%) and 25(13.97%) of respondents were engaged Construction, Trade, Service, Agriculture and Manufacturing respectively. This indicates that the total sample taken 97(54.20%), 82(45.80) are defaulters and non-defaulters respectively. The comparative analysis among the types of sectors that MSE engaged in reveals that the loan repayment across the across the three successive sectors such as; manufacturing, Agriculture and construction sectors were similar being non defaulter while the Trade and service performs less than all sectors when compared to each other.

Characterization of Defaulters and non-defaulters by institutional related factors.

Table 10; Training with loan repayment cross tabulation

Is the enterprise officer given training for your enterprise member ?*loan repayment		loan repayment					
		Non defaulter		Defaulter		Total	
		N	%	N	%	N	%
Training	Yes	62	51.23	59	48.7	121	67.59
	No	21	36.2	37	63.79	58	32.4
Total		83	44.6	96	53.63	179	100

Source; SPSS output, 2019

As we see from the above Table 10; regarding to the training from total sample of the respondents response yes were 121 (67.59%) were trained and 58(32.4%) were not trained by responsible body. From the total respondents 96 (53.63%) are defaulters and 44.6 were non defaulters. This implies that training is important for MSEs regarding to loan repayment and It was one of major determinants of loan repayment of small and micro enterprises in the study area.

Table 11; Follow-up and supervision with loan repayment cross tabulation

Are there supervision, follow-up and evaluation done by the responsible body?*loan repayment		loan repayment				Total	
		Non defaulter		Defaulter			
		N	%	N	%	N	%
Follow-up and supervision	Yes	24	35.29	44	64.70	68	37.98
	No	59	53.15	52	46.84	111	62.01
Total		83	46.36	96	53.63	17	100

Source; SPSS output, 2019

As we see from the table 11; regarding to the Follow-up and supervision from total sample of the respondents response yes were 68(37.98%) were supervised and followed by responsible body and 111(62.01%) were the follow-up and supervision is not given responsible body. From the total respondents 83(46.36 %) are non-defaulters and 96(53.63) were defaulters. this implies that

Follow-up and supervision is important for MSEs regarding to loan repayment. Then the Follow-up and supervision were one of major determinants of loan repayment of small and micro enterprises in the study area.

Table 6; Repayment period with loan repayment cross tabulation

The period given to the loan repayment is enough to your enterprises? * loan repayment							
		loan repayment				Total	
		Non defaulter		Defaulter			
		N	%	N	%	N	%
Repayment period	Yes	18	33.96	35	66.03	53	29.60
	No	65	51.58	61	48.41	126	72.06
Total		83	46.36	96	53.63	179	100

Source; SPSS output, 2019

The table 12; regarding to the period given to the loan repayment from total sample of the respondents response yes were 53(29.60%) answered the time given for the loan repayment (loan repayment period) enough and 126(72.06%) were the time given for loan repayment is not convenient. From the total respondents 83(46.36 %) are defaulters and 96(53.63) were non defaulters. This implies that repayment period given by microfinance is not enough for loan repayment. Then the repayment period was one of major determinants of loan repayment of small and micro enterprises in the study area.

Generally the institutional management related factors such as; Training, Follow-up and supervision and repayment period were the major determinants of loan repayment of small and micro enterprises in the study area.

Characterization of Defaulters and non-defaulters by borrowers related factors

Table 7; Experience with loan repayment cross tabulation

Do you have similar business experience before becoming a manager of this micro and small enterprise? * Loan repayment							
		loan repayment				Total	
		Non defaulter		Defaulter			
		N	%	N	%	N	%
Experience	Yes	19	34.54	16	45.7	48	19.55
	No	64	51.61	80	64.51	131	80.4
Total		83	46.36	96	53.63	179	100

Source; SPSS output, 2019

The above table 13; regarding to the experience to the loan repayment from total sample of the respondents response yes were 35(19.55%) answered they have experience related to business before joining MSEs and 144(80.44%) were have not business related experience before joining MSEs. From the total respondents 83(46.36 %) are non-defaulters and 96(53.63) were non defaulters .

This implies that the enterprises leader experience is important for properly running the business and for loan repayment for loan repayment. Then the enterprises leader experience was one of major determinants of loan repayment of small and micro enterprises in the study area.

Table 14; Member size with loan repayment cross tabulation

Enterprises members size can affect loan repayment*loan repayment							
		loan repayment				Total	
		Non defaulter		Defaulter			
		N	%	N	%	N	%
Enterprises member size	Yes	75	59.05	52	40.94	127	70.94
	No	5	9.6	47	90.38	52	29.05
Total		80	44.69	99	55.30	179	100

Source; SPSS output, 2019

The above table 14; shows that the enterprises member size to the loan repayment from total sample of the respondents response yes were 127(70.9%) answered they answered the enterprises member size can affect loan repayment and 52(29.05%) were the enterprise member size cannot affect loan repayment of MSEs. From the total respondents 80(44.69%) are non-defaulters and 99(55.3%) were defaulters. The 70.4% of respondents are those said the member size can affect loan repayment from the total respondents 55.3 of respondents are defaulters. This implies that the enterprises member size is can affect loan repayment. Then the enterprises member size was one of major determinants of loan repayment of small and micro enterprises in the study area.

Table 15; Keeping book of records with loan repayment cross tabulation

As your enterprises do you have book keeping recording that all revenue ,expenditures, expenses, generally recording all activities?*loan repayment							
		loan repayment				Total	
		Non defaulter		Defaulter			
		N	%	N	%	N	%
Keeping book of recording	Yes	6	15.78	32	84.21	38	21.22
	No	87	61.70	54	38.29	141	78.77
Total		93	51.95	86	48.04	179	100

Source; SPSS output, 2019

The above table 15; regarding to the Keeping book of recording to the loan repayment from total sample of the respondents response No were 141(78.77%) answered they have not book keeping recording that all revenue, expenditures, expenses generally recording all activities and 38(21.22%) were have book keeping recording that all revenue, expenditures, expenses generally recording all activities. From the total respondents 93(51.95%) are non-defaulters and 86(48.04%) were non defaulters. from the total respondents around 48.04% of respondents those have not keeping book of records are defaulters. This implies that having book keeping recording that all revenue, expenditures, expenses generally recording all activities is important for properly running the business and for loan repayment for loan repayment. Then the enterprises keeping book of recording was one of major determinants of loan repayment of small and micro enterprises in the study area.

Generally from the borrowers' related factors such as; experience, member size and keeping book of records were was the major determinants of loan repayment of small and micro enterprises in the study area.

iv) Characterization of Defaulters and non-defaulters by external related factors

Table 16; Market accessibility with loan repayment cross tabulation

Accessibility of market make good performance * loan repayment							
		loan repayment				Total	
		Non defaulter		Defaulter			
		N	%	N	%	N	%
Market accessibility	Yes	79	63.2	66	52.28	125	69.83
	No	25	46.29	9	16.67	54	30.16
Total		104	58.10	75	41.89	179	100

Source; SPSS output, 2019

The above table 16; regarding to the Market accessibility to the loan repayment from total sample of the respondents response Yes were 125(69.83%) answered Accessibility of market make good performance for loan repayment performance and the respondents answered No 54(30.16%) were Accessibility of market were not make good performance for loan repayment performance.

From the total respondents 104(58.10%) are non-defaulters and 75(41.89%) were defaulters this implies that the Accessibility of market make good performance for loan repayment performance of SMEs. Then the Market accessibility was one of major determinants of loan repayment of small and micro enterprises in the study area.

Table 17 ; Infrastructures with loan repayment (cross tabulation)

Infrastructures (Shortage electricity & water supply) do influence your business running and your loan repayment ability? * loan repayment							
		loan repayment				Total	
		Non defaulter		Defaulter			
		N	%	N	%	N	%
Infrastructure	Yes	62	55.85	59	48.76	121	67.59
	No	21	30.88	37	63.79	58	32.40
Total		83	46.36	96	53.63	179	100

Source; SPSS output, 2019

The above table 17; regarding to the Infrastructure to the loan repayment from total sample of the respondents response Yes were 121(67.59%) answered (Infrastructures) Shortage electricity, water

supply, lack of road does influence your business running and your loan repayment ability and the respondents answered No 58 (32.40%) were (Infrastructures) Shortage electricity, water supply, lack of road does influence your business running and your loan repayment ability for loan repayment. From the total respondents 83(46.36%) are non-defaulters and 96 (53.63%) were defaulters.

This implies that the (Infrastructures) Shortage electricity, water supply , lack of road does influence your business running and your loan repayment ability for loan repayment of SMEs and the Infrastructures were one of major determinants of loan repayment of small and micro enterprises in the study area. So that from the external related factors such as; Accessibility of Market and infrastructures was the major determinants of loan repayment of small and micro enterprises in the study area.

Finally the descriptive statistics explained that the independent variables; Institutional related factors(training, continuous supervision follow-up, repayment period),borrowers related factors(education level, leader business experience ,enterprises member size and keeping book of records) and external related factors(market ,infrastructures) are the major determinants of loan repayment of small and micro enterprises in the study area. also the result obtained from open ended questionnaires and interview ; the training, continuous follow-up and supervision, loan repayment period ,lack of marketing Accessibility and infrastructures are the mostly factors that determine the loan repayment of Small and micro enterprises in Alge sachi worda.

4.2. Result of Econometric Model

Logistic Regression Analysis

In this part of the research further analysis has been conducted in order to test the influence of independent variables: institutional related factors(lack of training ,follow-up and supervision, repayment period),borrowers related factors (Age of leader , Leader experience, keeping book of records, enterprises member size), and external related factors(Lack of market accessibility, infrastructures(water supply ,electric power interruption and road) influence on the dependent variable which is determine loan repayment.

Logistic regression analysis is preferable due to the nature of the dependent variable which is binary/ dichotomous: “loan repayment” (Hosmer & Lemeshow 1989). unlike multiple regression and discriminate analysis, logistic regression does not involve assumptions related with normality, linearity and homogeneity of variance for the independent variable, which evidences the popularity of the model.

Multi-collinearity

Binary logistic regression like multiple linear regressions there should be no high correlation (multicollinearity) among the predictors (independent variables) this can be assessed by a correlation matrix among the predictors (independent variables).

According to (Tabachnick & Fidell, 2013) and also (Kline, 2005) suggest that as long correlation coefficient among independent variables are less than 0.9 the assumption is met. So in order to detect multicollinearity problem in this study the researcher apply the correlation matrix.

According to Phyllis,(2007; p 220) by citing (Kline, 2005). correlation coefficients for categorical variable Spearman’s rank correlation can be applied rather than Pearson correlation and then the result table 18 of the correlation matrix shows that all independent variable correlation was below 0.9, which means there is no Multi collinearity problem.

Table 18 ; Correlation

Correlation Matrix											
		Const	Age	TR	SF	RP	EXP	MS	LMS	IS	LBKR
Step 1	Const	1.000	.								
	Age	.142	1.000								
	TR	.070	.147	1.000							
	SF	-.098	.049	.753	1.000						
	RP	-.004	.092	.786	.779	1.000					
	EXP	-.252	.221	.108	.105	.052	1.000				
	MS	-.099	-.156	-.910	-.861	-.911	-.121	1.000			
	LMS	-.478	-.187	-.347	-.258	-.317	-.168	.291	1.000		
	IS	-.167	.309	.289	.379	.415	-.033	-.408	-.205	1.000	
	LBKR	-.238	-.826	-.129	-.059	-.058	-.063	.155	-.012	-.401	1.000

Evaluation of a logistic regression model

According to Hyeoun (2013) there are several parts involved in the evaluation of the logistic regression model. First, the relationship between all of the independent variables and dependent variable needs to be assessed. Second, the importance of each of the independent variables needs to be assessed. Third, goodness-of-fit statistics; finally, predictive accuracy or discriminating ability of the model needs to be evaluated.

Table 19; Model Summary

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	111.598 ^a	.530	.709

The model summary table 19; illustrates the computation of correlation measures to estimate the strength of the relationship so the researcher prefer to use Nagelkerke R Square shows that about 70.9% of the variation in the outcome variable which is loan repayment is explained by this logistic model. (Chan. Y, 2004).

Table 20; Classification Table

Observed			Predicted		
			loan repayment		Percentage Correct
			Non defaulter	Defaulter	
Step 1	loan repayment	Non defaulter	67	15	81.7
		Defaulter	13	84	86.6
	Overall Percentage				84.4

a. The cut value is .500

According to Sakar &Midi, (2010) common techniques in social science for judging the classification table accuracy of fitted binary logistic regression model is accuracy ratio. The probability of detecting true signal (sensitivity) and false positivity (specificity) for entire range of possible cut point comes from classification table. According to Hyeoun (2013) higher sensitivity and specificity indicate a better fit of the model. The table;20 shows that overall correct prediction, 84.4% shows an improvement over the chance level which is 50%. If the classification table greater than the cut value the model is fit or it is considered as the model performance is excellent.

Table 21; Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	142.379	9	.000
	Block	142.379	9	.000
	Model	142.379	9	.000

Table 21; Omnibus tests of model coefficient is used to check that the new model (explanatory variable included) is an improvement over the base line model. It uses chi square tests there is significant difference between the log-likelihoods (specially -2LLs) of the baseline model and the new model. If the new model significantly reduced -2LL compared to the base line then it suggests that the new model in explaining more of the variance in the outcome (laerd, 2017). The logistic regression model was statistically significant, $\chi^2 (9, N=179) = 142.379, P < 0.000$ indicating that the model was able to identify determinants for credit default.

Table 22; Hosmer and Lemeshow Test

Step	Chi-square	Df	Sig.
1	2.304	8	.970

The Hosmer Lemeshow test is another test to examine whether the observed proportions of events are similar to the predicted probabilities of occurrence in subgroups of the model population. According to Hyeoun (2013) better approach to present any of goodness of fit test available is Hosmer Lemeshow which is commonly used measure of goodness of fit based on the χ^2 distribution with 8 degrees of freedom (with large p-value > 0.05) indicate a good fit to the data, therefore, goodness of overall model fit. In generally according to (Hosmer & Lemeshow, 2000) if p-value is less than 0.05 and conclude that the model is not fit but the p value in this model is 0.97 which greater than 0.05 means conclude that the model is fit for the observed data.

Table 23; Variables in the Equation

Variables in the Equation									
		B	S.E.	Wald	Df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 1	Age	.965	.357	7.309	1	.007	2.626	1.304	5.287
	TR	2.644	.723	13.370	1	.000	14.064	3.410	58.009
	SF	2.545	.712	12.794	1	.000	12.746	3.160	51.410
	RP	2.646	.810	10.668	1	.001	14.103	2.882	69.021
	EXP	1.402	.380	13.634	1	.000	4.064	1.931	8.553
	MS	-7.406	2.050	13.047	1	.000	.001	.000	.034
	LMA	-2.148	.746	8.282	1	.004	.117	.027	.504
	IS	1.663	.632	6.924	1	.009	5.276	1.529	18.213
	LBKR	-1.435	.570	6.352	1	.012	.238	.078	.727
	Const.	-3.608	2.428	2.209	1	.137	.027		

a. Variable(s) entered on step 1: Age, TR, SF, RP, EXP, MS, LMS, IS, LBKR.

The variables in the following equation shows the regression function of logistic regression model and the ‘B’ values are the logistic coefficients that can be used to create a predictive equation.

$$\text{Logit}(\pi) = -3.608 + 0.965 \text{ Age} + 2.644 \text{ TR} + 2.545 \text{ SF} + 2.646 \text{ RP} + 1.402 \text{ EXP} - 7.406 \text{ MS} - 2.148 \text{ LMA} + 1.663 \text{ IS} - 1.435 \text{ LBKR}$$

Interpretations of the coefficients in the model

The table; 23 above further shows that, all the explanatory variables included in this study can significantly explains at 95% confidence level to the variation on the dependent variable. The standardized beta coefficient column shows the involvement that an individual variable makes to the model. The beta weight is the average amount the dependent variable increases when the independent variable increases by one unit (all other independent variables are held constant). As these are standardized we can compare them.

Thus, the largest influence on loan repayment of MSEs is the repayment period (2.646) and the next is training 2.644 , 2.545, 1.663, 1.402, .965, -1.435, were follow-up and supervision, infrastructure, lack of experience, Age, lack of keeping book of records and lack of marketing accessibility

respectively. On the other hand with the beta value of -2.148 lacks of market accessibility and with the beta value of -7.406 member size is the poorest predictor of loan repayment.

All of independent variables are made a statistically significant category since p-values less than 0.05 for each of coefficient in the logistic regression model. The exp(B) column in the table presents the extent to which raising the corresponding measure by one unit influences the odd ratio and can be interpreted in term of the change in odds. If the values exceed 1 then the odd of an outcome occurring increasing, if the figure is less than 1, any increase in predictor leads the out to drop in the odds of outcome occurring (Robert and Richard, 2017).

The borrower's related factors that influence loan repayment of MSE sectors.

Age of respondents is found be statically and positively influence loan repayment in the study area with 5% significant level when exp (B) values associated with Age is 2.626 was greater than 1 indicating that when the Age of the respondent increase by one year the odd of loan repayment of MSE sector increases by 2.626, by keeping all the other variables constant.

Then the null hypothesis accepted with the Age has significant relationship with and positively affect Loan repayment of MSEs in Alge sachi worda. This finding consistence with the finding of Kebede & Tafese (2016), Pasha& Negese (2014)),studied that the borrowers at younger stages become more defaulter than at older age and the age of respondents positively and significantly determines the loan repayment of borrowers. This indicates that the elders were more responsible to repay loan than younger and as age of borrower's increases they have obtain the ability to settled and accumulate wealth obtain experience in business management and credit use than youngsters.

Leader experience is found be statically and positively influence loan repayment in the study area with 5% significant level when exp(B) values associated with experience is 4.064 by keeping other variables constant. The odd ratio for the Leader experience is 4.064 was greater than 1 of respondents indicating that when experience of respondents raised by one unit the odd of loan repayment of MSE sector increases by 4.064 by keeping all the other variables constant.

Then the coefficient with loan repayment which is an indication that experience is positively influences loan repayment by SMEs in the study area. This shows that enterprises managed by experienced managers have lower probability of failing to repay the loan. It has been known that business related experience is one of the determinants that affect the loan repayment rate of borrowers. Then the hypothesis accepted with Leader experience is found be statically relationship with and positively influence loan repayment in the study area. This research finding is similar to

Geleta (2018) and Borena & Waktola (2019) research finding that business related experience was found that positive and significantly affect loan repayment. This shows that enterprises managed by inexperienced managers have higher probability of failing to repay the loan.

Member size (MS) is found be statically and positively influence loan repayment in the study area with 5% significant level when $\exp(B)$ values associated with member size is 0 .001 by keeping other variables constant. The odd ratio for the Member size (MS) is 0.001 was less than 1 indicating when the member size of SMEs is less by one person the odd of loan repayment of MSE sector raised by 0 .001 by keeping other variables constant.

Then the result indicates that Member size (MS) is inversely influences the loan repayment of borrowers hence as the major determinants of loan repayment by micro enterprises. This study indicated that enterprise those have lower member's group size well performed their loan repayment than those have large member's group size, micro and small enterprise those contains large members group size could be fail to repay their loan. So that the null hypothesis accepted with member size is found be statically relationship with and negatively influence loan repayment in the study area. This result similar to the Girma (2018) result that member sizes were statistically significant relationship and negatively influences loan repayment.

Lack of Keeping book of Record is found be statically and Negatively influence loan repayment in the study area with 5% significant level when $\exp(B)$ values associated with LRP is 0.238 by keeping other variables constant. The odd ratio for the Lack of Keeping book of Record is 0.238 was less than 1 indicating when Keeping book of Record of SMEs is less by one unit the odd of loan repayment of MSE sector decreased by 0 .238, by keeping all the other variables constant .

Then Lack of Keeping book of Record inversely influences the loan repayment of borrowers hence as the major determinants of loan repayment by micro enterprises. The result states that recording the financial transactions to the keeping the book of records to monitor and evaluate the profitability and financial position of the SMEs business. The borrowers, who manage their expenses and revenues, may have probably better monitor their loan status than the SMEs have not book records. so that the null hypothesis accepted with Lack of Keeping book of Record is found be statically relationship with and negatively influence loan repayment in the study area and researcher result is similar the Borena& Waktola (2019) shows that out of predicting used in the study the problem statement recording experience in the business area have negatively affect the loan repayment.

The institutional management related factors that influence loan repayment of MSE sectors.

Training is found to be statically and positively influence loan repayment in the study area with 5% significant level when $\exp(B)$ values associated with training is 14.064 by keeping other variables constant. The odd ratio Training is 14.064 was greater than 1, indicating that when the Training increase by one unit the odd of loan repayment of MSE sector increases by 14.064, by keeping all the other variables constant. Training is also among the factors that were as expected positively and significantly affected loan repayment of SMEs.

As the result indicated training accessibility was found to determine loan repayment positively and statistically significant. Access to training for enterprises refers to the facilitation of different trainings which assists the leaders of the enterprises to perform in a suitable way.

Therefore, enterprises which have sufficient access of training are repaid their loan than those less trained. In other way delivering of well-organized and sufficient training properly for borrowers lessen the probability of being defaulter. Then the hypothesis accepted with Training is found to be statically relationship with and positively influence loan repayment in the study area.

This finding is consistent with the finding of Borena & Waktola (2019) and Abraham (2016).

Follow up and supervision is found to be statically and positively influence loan repayment in the study area with 5% significant level when $\exp(B)$ values associated with Follow up and supervision is 12.746 by keeping other variables constant. The odd ratio of Follow up and supervision 12.746 was greater than 1 indicating that when the Follow up and supervision increase by one unit the odd of loan repayment of MSE sector increases by 12.746, by keeping all the other variables constant.

Enterprise those who supervised showed good performance to settle their loan because supervision may avoid the problem of diverting the loan for other purpose and encourages the members to make the full effort required for their investment projects to be successful. Then the hypothesis accepted with follow-up and supervision is found to be statically relationship with and positively influences loan repayment in the study area. The result is similar to Abraham, (2016), Borena & Waktola (2019) that is follow-up and supervision is statistically significant and positively influences loan repayment.

Loan repayment period is found to be statically and positively influence loan repayment in the study area with 5% significant level when $\exp(B)$ values associated with LRP is 14.103 by keeping other variables constant. The odd ratio for the Loan Repayment period (LRP) is 14.103 it was

greater than 1 indicating that the when loan repay back period is increased by one unit the odd ratio is 14.103.

There is also among the factors that was as expected positively and significantly affected loan repayment of SMEs. the result indicates the time taken to repay for enterprises not enough ,enterprises that given enough time to repay period are can pay loan than the enterprises loan repayment period is short, Then the hypothesis accepted with loan repayment period is found be statically relationship with and positively influence loan repayment in the study area.

This finding is consistence with the finding of Borena & Waktola (2019), Kebede & Tafese (2016) that loan repayment period found be statically relationship with and positively influence loan repayment.

The External related factors that influence loan repayment of MSE sectors.

Infrastructures is found be statically and positively influence loan repayment in the study area with 5% significant level when $\exp(B)$ values associated with LRP is 5.276 by keeping other variables constant. The odd ratio for the Infrastructures is 5.276 was greater than 1, indicated Infrastructures for one unit raise unit odds ratio is 5.276. Infrastructure are also among the factors that was, as expected positively and significantly affected loan repayment of SMEs.

The result indicated enterprises fulfill by infrastructures such as electric power and water supply are repay the loan as schedule the enterprises have not sufficient infrastructure made loan defaults. Then the hypothesis accepted with Infrastructures is found be statically relationship with and positively influence loan repayment in the study area. This study is similar to Borena & Waktola (2019).

Lack of market accessibility is found be statically and Negatively influence loan repayment in the study area with 5% significant level when $\exp(B)$ values associated with LRP is 0.117 by keeping other variables constant. The odd ratio for the Lack of market accessibility is 0.117 was less than 1 indicating when lack of market accessibility of SMEs is less by one unit the odd ratio is 0.117 then Lack of market accessibility inversely influences the loan repayment of borrowers hence as the major determinants of loan repayment by micro enterprises.

So the higher level of market access results the higher probability of getting profit and the greater level of enterprises loan repayment. Then the hypothesis accepted with lack of market accessibility is found be statically relationship with and negatively influence loan repayment in the study area.

This finding is consistence with the finding of (Dire (2018)), (Pasha, S. & Negese, T. (2014)),(Geleta (2018) finding lack of market accessibility found statically and negatively influence loan

repayment in the study area and contradicts with Ababiya, Geta and Lemecha (2015) lack of market accessibility found statically and positively influence loan repayment in the study.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

In this chapter the Summary, conclusions and recommendations are discussed. Based on the findings of the study recommendations are made to operators of MSEs, suggestion for other researchers and responsibly bodies for the loan repayment of MSEs.

5.2. Summary

This research aims to examinee Determines loan repayment of micro and small scale enterprises in Alge sachi Woreda. The study examined the institutional management related factors, borrowers related factors and external related factors that determine the loan repayment of small and micro enterprises. This study employed descriptive and explanatory research design. Primary data was collected through open and closed ended questionnaires' and were collected from random samples of 179 Micro and Small Enterprises (MSEs) by stratifying into Five group and secondary data from the enterprises and industry office.

Once the relevant data was gathered, the collected data were processed using the Statistical Package for Social Science (SPSS) of version 23 and econometric model known as binary logistic regression model was used in order to examine determinants that affecting Micro and small enterprise's loan repayment.

The majority of leader of SMEs were male respondents. This shows that the participation of women in business activity is very low as compared to male operators. This indicates that male MSEs leaders are dominant in MSEs operation because the gender distribution reflects a wide variation of gap and Majority of respondent's age group were between 30-39 years 37.43% this implies that most of SMEs run by youngers.

The study suggests that majority of MSEs in woreda is run and operated by the completed grade 10-12 and above, 40.2 % of the MSEs Managers are below grade 9. This implies the majority of them have attained high school qualification. Given the findings one can infer that the vast majority of the MSEs Leader have acquired the basic education. In conclusion, majority of the operators are less in academic qualification which is believed to be crucial in running their business effectively and the majority of SMEs are married. They shared their full ideas or thought's to home.

The study implies that the majority of SMEs owners 73.2% have no experience related to business before joining current business enterprises. This shows that most of the managers of enterprises were inexperienced, and it indicated that the enterprises in the study area were running by inexperienced owners or managers.

Age of respondent factor is found to be statically and positively influence loan repayment in the study area with 5% significant level when $\exp(B)$ values associated with Age is 2.626, indicating that when the age raised by one unit (percent) the odd ratio is 2.626 by keeping other variables constant. This implies that lower age group more defaulter than lower higher age group has respondents.

Leader experience has the odd ratio 4.064 was greater than 1 of respondents indicating that when experience of respondents raised by one unit the odd ratio is 4.064 then the coefficient with loan repayment which is an indication that experience is positively influences loan repayment by SMEs. This shows that enterprises managed by experienced managers have lower probability of failing to repay the loan. It has been known that business related experience is one of the determinants that affect the loan repayment rate of borrowers.

The Member size (MS) has odd ratio .001. The odd ratio is 0.001 was less than 1 indicating when the member size of SMEs is less by one unit (one person) the odd ratio is 0.001 then the result indicates that Member size (MS) is inversely influences the loan repayment of borrowers hence as the major determinants of loan repayment by micro enterprises. It indicates that enterprise members size were statistically significant and negatively related with the loan repayment. This study indicated that enterprise those have lower member's group size well performed their loan repayment than those have large members size.

Lack of keeping book of Record is found to be statically and negatively influence loan repayment in the study area, hence as the major determinants of loan repayment by micro enterprises. The result stated that recording the financial transactions to the keeping the book of records to monitor and evaluate the profitability and financial position of the SMEs business. The borrowers, who manage their expenses and revenues, may have probably better monitor their loan status than the SMEs have not book records

Training is found to be statically and positively influence loan repayment in the study area with 5% significant level when $\exp(B)$ values associated with training is 14.064 by keeping other variables constant. The odd ratio was greater than 1, indicated Training for one unit increase odds

ratio is 14.064. Access to training for enterprises refers to the facilitation of different trainings which assists the leaders of the enterprises to perform in a suitable way. Capacity building trainings prepare enterprises to perform in the business they engaged.

Follow up and supervision is found to be statically and positively influence loan repayment in the study area with 5% significant level when $\exp(B)$ values associated with training is 12.746 by keeping other variables constant. The odd ratio of Follow up and supervision 12.746 was greater than 1 for indicated for one unit raise unit odds ratio, is 12.746. It indicated that Supervision affects the loan repayment positively and statistically significant. Enterprise those who supervised showed good performance to settle their loan because supervision may avoid the problem of diverting the loan for other purpose and encourage repayment.

The odd ratio for the Loan Repayment period (LRP) is 14.103 it was greater than 1 indicating that the when loan repayment period is increased by one unit the odd ratio is 14.103. The result indicates the time taken to repay for enterprises not enough, enterprises that given enough time to repay period are can pay loan than the enterprises loan repayment period is short. The is also among the factors that were as expected positively and significantly affected loan repayment of SMEs.

The odd ratio for the Infrastructures is 5.276 was greater than 1, indicated Infrastructures for one unit raise odds ratio is 5.276. Infrastructure is also among the factors that were as expected positively and significantly affected loan repayment of SMEs. It implies that enterprises fulfill by infrastructures such as electric power and water supply are repay the loan as schedule the enterprises have not sufficient infrastructure made loan defaults.

The odd ratio for the Lack of market accessibility is 0.102 was less than 1 indicating when lack of market accessibility of SMEs is less by one unit the odd ratio is 0.102, then Lack of market accessibility inversely influences the loan repayment of borrowers hence as the major determinants of loan repayment by micro enterprises. The result states that the lack of market accessibility can be lead credit defaults of small and micro enterprises in the study area. Access to market refers to the availability of market demand for the particular product or service.

Generally the descriptive and inferential statistics and the result of binary logistic regression show that result of analyzed data revealed institutional management related factors, borrowers related factors and external related factors, influenced loan repayment of enterprises in the study area.

In addition, the result of binary logistic regression model indicated that Experience of respondents, Age of respondents, Training, follow up and supervision and Loan repayment period were positively and significantly affect loan repayment. The enterprises member size, lack of keeping book of record and lack of accessible market were significantly relationship with and negatively affect loan repayment of enterprises and the major factors that determine the loan repayment of small and micro enterprises in Alge sachi woreda.

5.2. Conclusions

This research were conducted in Alge sachi woreda critically considering the determinants loan repayment of MSE operators engaged in manufacturing, construction, service, trade, and agricultural sectors.

The researcher tried to examine institutional related factors; borrower's related factors and external related factors that affect the loan repayment of SMEs and to recommend possible solution to alleviate the problem of MSEs. based on the objectives and findings of the study, the following conclusions are discussed.

The Role of SMEs in Ethiopia is important in poverty reduction through employment creation, and government strongly believes that SMEs are the accurate solution to reduce unemployment and poverty. However, there are many serious challenges that slow down the growth and development of SMEs in Ethiopia.

This study were employed both the descriptive and Binary logistic model in order to identify the factors that determine loan repayment of MSE sectors by categorizing them as in institutional management related factors, borrowers related and the external related factors. Thus, the author identified that the loan repayment of MSE sectors were influenced positively or negatively.

The descriptive result of the study shows that the majority of the operators of MSEs were male, the age groups between 30-39 ages indicating the productive unit of the labor forces. However, the participation of women in business activity is limited in the study area.

Most of the operators have been attained their educational qualification of below grade 9 and grade 10-12. This implies that majority of the operators are less in higher academic qualification hence they are generally less educated lacking the skills and knowledge that comes from higher formal education that is significant in managing and enhancing their business performance and loan repayment effectively continues to fall further.

Age of respondent is found to be statically and positively influence loan repayment in the study area. This implies that lower age group more defaulter than higher age group has respondents. Hence Age of leader is a major determinant of loan repayment by Micro and small enterprises in Alge sachi woreda.

Enterprise leader's Business related experiences were found that positively and significantly affect loan repayment. Hence leader experience is a major determinant of loan repayment by Micro and small enterprises in Alge sachi woreda.

The enterprise member sizes were statistically significant and negatively influence loan repayment, therefore the enterprises member size major determinants of SMEs in the study area.

With the higher in the Keeping book of recording experience of the MSE sectors the more likely to be in the higher category (defaulter) of the loan repayment. The study established that the lack of book keeping records were negatively influence loan repayment by micro and small enterprises, then the lack of book keeping record is the major determinants of SMEs in the study area.

Training accessibility were found to determine loan repayment statistically significant and positively influence loan repayment by micro and small enterprises, Therefore Training is a major determinant of loan repayment by Micro and small enterprises in study area.

Continues Supervision and follow up affects the loan repayment statistically significant and positively influence loan repayment by micro and small enterprises. Since follow-up and supervision is a major determinant of loan repayment by Micro and small enterprises in Alge sachi woreda

Loan Repayment period (LRP) affects the loan repayment statistically significant and positively influence loan repayment by micro and small enterprises. Hence Loan Repayment period is a major determinant of loan repayment by Micro and small enterprises in Alge sachi woreda.

The result indicated that enterprises fulfill by infrastructures such as; electric power and water supply are repay the loan as schedule than the enterprises have not sufficient infrastructure made loan defaults. Affects the loan repayment statistically significant and positively influence loan repayment by micro and small enterprises. Hence Loan Repayment period is a major determinant of loan repayment by Micro and small enterprises in Alge sachi woreda

Lack of Market accessibility: market accessibility was determining loan repayment statistically significant and negatively influence loan repayment by micro and small enterprises. Therefore is a major determinant of loan repayment by Micro and small enterprises in Alge sachi worda.

5.3. Recommendations

Depending up on the above analyzed data and conclusions drawn, the following recommendations were forwarded based on the result, about the determinant of the loan repayment of MSE sectors that were classified Institutional management related, Borrowers/enterprises/ related and external related factors in order to reduce significantly loan default and make profitable and sustainable of MSEs.

The involvement of women in ownership and management of MSE's in the business activities should be improved.

Enterprise those managed by inexperienced managers have higher probability of failing to repay the loan. So an assessment of the borrowers business related experience should be conducted institutions/lenders/ before loan disbursements and also they should include experience in their loan criteria.

With the higher in the Keeping book of recording experience of the MSE sectors the more likely to be in the higher category (defaulter) of the loan repayment which means that having the problem of Keeping book of recording experience they could not be able to pay their loan on the repayment schedule. Because, they could not be properly managed the expense and revenue related activities of their business. So that the Keeping book of records should be improved and the MSEs should register their daily activities to control all their activities and loan.

Capacity building trainings would better prepare enterprises to perform in the business they engaged. Therefore, enterprises which have sufficient access of training are repaid their loan than those less trained. In other way delivering of well-organized and sufficient training properly for borrowers lessen the probability of being defaulter. So enterprises and industry development office and finance provide office/lenders/ should provide frequent training activities before and after loan disbursement to MSE sectors and they aware out their financial management activities like saving habit, the financial statement recording experience that enables them to manage the expense and revenue related activities of their business in the study area.

Enterprise those who supervised showed good performance to settle their loan because supervision may avoid the problem of diverting the loan for other purpose and encourages the members to make the full effort essential for their investment projects to be successful. Therefore, the enterprises and industry development sector and MFI that provides finance should make continuous follow up and guidance to borrowers on how to use loan in general to solve the problem of loan repayment by MSEs. Otherwise, their growth and loan repayment prolonged for longer time.

Repay period should improve by woreda of MSEs office by communicating and integrating with the federal government and other responsible body.

Enterprises create different market access for their products and services insure the existence of market alternatives for their product. So the higher level of market access results the higher probability of getting profit and the greater level of enterprises loan repayment. Therefore, Experience sharing activities on Marketing Skills should be set by office of MSEs with supporting institutions to acquire better knowledge and experiences from each other .

The government should provide the infrastructures such as, water supply and electric power for the SMEs around the business area.

5.4. Future Research Direction/ For Farther research/

This study focused on determinants of loan repayment of Small and micro enterprises borrowers in Alge sachi woreda only by taking the independent variable as; institutional management related factors, borrower's related factors and external related factors, influenced loan repayment of enterprises in the study area. The future researches its better if it's done on;

Examine other factors that might have determines LR of SMEs and were not included in this study.

Why all organized small and micro enterprises not borrowed from MFI and Banks?,

How to improve loan repayment, growth and sustainability of small and micro enterprises?.

References

- Ababiya, A., Geta, E. and Lemecha, Z. (2015) Performance of Micro and Small Enterprises and its Determinants: The Case of Hadiya Zone, Ethiopia. *Bulletin of Business and Economics*, 4(4), 214-222
- Abay, H. H., Tessema, F. G., & Gebreegziabher, A. H. (2014). External factors affecting the growth of micro and small enterprises (SMEs) in Ethiopia a case study in Shire Indasselassie Town, Tigray. *European Journal of Business and Management*, 6(34), 134-145.
- Abdissa, G., & Fitwi, T. (2016). Determinants of Micro and Small Enterprises(SMEs) Performance in South West Ethiopia , The Case of Manufacturing Enterprise in Bench Maji, Sheka, and Kefa Zones. *Global Journal of Management And Business Research*
- Abreham G.(2017) assessment of factors affecting loan repayment performance of borrowers: An empirical study on selected microfinance institutions in oromia region. MSc thesis, Addis Ababa University, Ethiopia.
- Addae-Korankye, A. (2014). Causes and control of loan default in microfinance institutions in Ghana. *American International Journal of Contemporary Research*, 4(12), 36-45.
- Ageba, G., & Amha, W. (2006). Micro and Small Enterprises finance in Ethiopia: empirical evidence. *Eastern Africa social science research review*, 22(1), 63-86. 108-122.
- Asfaw, H. (2013) Determinants of Loan Repayment Performance of industrial projects: the case of Development Bank of Ethiopia Doctoral dissertation, st. mary's University.
- Bassem, B. S. (2008). Determinants of Successful Loan Repayment: *An Application to Tunisia*. *Journal of Sustainable Development in Africa*, 10 (2), 766-800
- Berhanu, A. (2005). Determinants of Formal Source of Credit Loan Repayment Performance of Smallholder Farmers: The Case of North Western Ethiopia, North Gondar. Unpublished MSc. Thesis. Alemaya University, Ethiopia
- Bouazza, A. B., Ardjouman, D., & Abada, O. (2015). Establishing the factor affecting the growth of small and medium-sized enterprises in Algeria. *American International journal of Social science*, 4(2), 101-115
- Borena, M., & Waktola, M. A. D. (2019). Determinants of Group Loan Repayment Performance of Micro and Small Scale Enterprise's (SMEs) Sectors A Case of East Wollega Zone Oromia Credit and Saving Share Company. *Research and Analysis Journal*, No-46.

- Bowley (1926). Measurements of precision attained in sampling. Bull. Int. Stat. Inst. BOWLEY, A. L. Measurements of precision attained in sampling. Bull. Int. Stat. Inst., , v.22.
- Chali, G. A., & Ashe, Z. A. A study on Determinants of Loan Repayment Performances: in the case of Sidama Micro Financing Institution, Sidama Zone, SNNPR, Ethiopia.
- Cooper, D.R and & Schindler,P.S (2008). Business research methods (10th ed). Singapore: McGraw-Hill.
- Degefu, D. (2018). Factors That Determine the Growth of Micro and Small Enterprises: In the Case of Hawassa City Ethiopia. *iBusiness*, 10(04), 185.
- Deribie,M. (2014).Practices and Challenges of Micro and Small Scale Enterprises in the Case of Selected Districts in Akaki kality Sub-City. St. Mary's University, Addis Ababa.
- Dire, O.(2018). Determinants of loan repayment of micro and small enterprises in Jimma Town, Ethiopia. *Global Journal of Management And Business Research*.
- Endrias, G., & Salem, A. (2016). Determinants of Loan Repayment Performance the Case of Micro and Small Enterprises in Dire Dawa Administration (Doctoral dissertation, Harmaya University).
- Facet (2013). policy review and private sectors development country report of Ethiopia
- Fikirte, K. R. (2011). Determinants of loan repayment performance: in the case study of Addis Credit and Saving Institution. *Addis Ababa, Ethiopia*.
- FMSEDA.(2010).Micro and Small Enterprises Development Strategy. Addis Ababa: The Ethiopian Federal Democratic Republic government SMEs Development Agency.
- Gebrehiwot, A. and Wolday,A.(2002). Micro and Small Enterprises (MSEs) finance in Ethiopia: empirical evidence. *Eastern Africa social science research review*, 22(1), 63-86.
- Gebeyehu, A. (2002). Loan repayment and its determinants in small scale enterprises financing in Ethiopia (Doctoral dissertation, MSc Thesis. Addis Ababa University, Ethiopia).
- Geleta, G. (2018). Determinants of loan repayment performance of micro and small enterprises in the case of Oromia credit and saving Share Company branches under Oromia special Zone around Addis Ababa (Doctoral dissertation, AAU).
- Geremewe, Y. (2018). The Role of Micro and Small Enterprises for Poverty Alleviation. *International Journal of Research Studies in Agricultural Sciences*, 4(12), 38-47.

- Gerba, N. (2017). Factors affecting loan repayment performances: a case study in development bank of Ethiopia, Jimma district (doctoral dissertation, Jimma University).
- Getahun, M. (2016). The challenge and prospects of SSE in Ethiopia: A survey of some selected SMEs in Addis Ababa city. *International Journal of Scientific and Research Publications*, 6(5), 617-626.
- Ghimire, R. (2011). SMEs in Nepal prospects and challenges. *Journal of Finance and Management Review*, 2(2), 257-269.
- Gujurati, D. N.(1995).Basic Econometrics (Vol. Third edition). New York: McGraw-Hill Book Company.
- Gutu, F., Mulugeta, W., & Birlie, B. (2017). Determinant Factors Affecting Loan Repayment Performance of Women Borrowers from Micro Finance Institutions in Southwest Ethiopia: Evidence from Four Woredas around Gilgel Gibe Hydroelectric Power Dam. *Global Journal of Management And Business Research*.
- Godquin, M.(2004). Microfinance repayment performance in Bangladesh: How to improve the allocation of loans by microfinance. *World Development*, 32(11), 1909-1926.
- Gathoni Kiliswa, N., & Sayeed Bayat, M. (2014). Determinants of loan repayment in small scale enterprises (SMEs) in developing countries. *Management Studies and Economic Systems*, 1(2), 67-79.
- Hadis, S., & Ali, Y. Micro and Small Enterprises (SMEs) in Ethiopia; Linkages and Implications: Evidence from Kombolcha Town.
- Imbuga, B.M.(2014).An Assessment of the Effect of Inflation on Loan Repayment among Commercial Banks in Kenya. Unpublished MBA Project. University of Nairobi
- Jote, G. G. (2018). Determinants of Loan Repayment; in the Case of Microfinance Institutions in Gedeo Zone, SNNPRS, Ethiopia. *Universal Journal of Accounting and Finance*, 6(3), 108-122.
- Kebede, D., Bezabih, E., & Gezahegn, A. (2006). Influence of microfinance services on farm households income: the case Of oromia credit and saving share Company(OCSSCo) kuyu Branch Ethiopia. *Ethiopian Journal of Economics*, 11(683-2016-46849), 59-82. .
- Kebede,M., & Tafese, T. (2016). Factors affecting loan repayment Performance of small scale enterprises (SMEs) financed by micro finance institutions: Study on Private Borrowers around

Wolaita and Dawuro Zone. *Global Journal of Management And Business Research*.

- Kefale, M., & Chinnan, K. P. M. (2012). Employment growth and challenges in small and micro enterprises(SMEs) Woldiya, North East Amhara region, Ethiopia. *Educational Research and Essays, 1*(2), 21-26.
- Kinde, B. A. (2012). Financial sustainability of microfinance institutions (MFIs) in Ethiopia. *European Journal of Business and Management, 4*(15), 1-10.
- Kiraithe, P. (2015). Factors that influence loan defaulting by SME owners in Kenya: A study of SMEs within Thika township in Kiambu county (Doctoral dissertation).
- Kumar, R. (2011). *Research Methodology: A step by-step guide for beginners*. New Delhi: Sage Publications Inc.
- Mead, D. and Morrison, C (1996). The Informal Sector Elephant. *World Development, 24* (10), pp. 1611-1619.
- Mabeya, J. (2019). Determinants of loan repayment default among small and medium enterprises in Kisumu Central Sub County, Kenya (Doctoral dissertation, school of business, University of Nairobi).
- MUDC. (2013). *Survey on Micro and Small Enterprises (SMEs) in Selected Major Cities of Ethiopia*.
- Muthoni, M., Omato and Kithinji, M. (2013). Analysis of Factors Influencing Transfer of Technology among Micro and Small Enterprises(SMEs) in Kenya. *International Journal of Business and Social Science, 4*(17), 171-179.
- Mohammed M. and Zemenu A.,(2014). Determinants of Growth of Micro and Small Enterprises(SMEs) in Ethiopia (A case of SMEs in mekelecity, Tigray) ISSN;2321-7782(Online) volume 2 Issue 6
- Mukono, A. (2015). Determinants of loan repayment by small and medium enterprises (SMEs) in Nairobi county, Kenya (Doctoral dissertation, University of Nairobi).
- Musona, V.(2015). An analysis of factors constraining the growth of micro enterprises in Lusaka (Doctoral dissertation).
- Nancy., K. and Mohamed., S. (2014). Determinants of Loan Repayment in Small Scale Enterprises in Developing Countries Research Consultant and Academic, Cape Town, South Africa University of Fort –Hare Alice, South Africa and Visiting Professor University of Lusaka, Zambia.

- Gathoni Kiliswa, N., & Sayeed Bayat, M. (2014). Determinants of loan repayment in small scale enterprises (SMEs) in developing countries. *Management Studies and Economic Systems*, 1(2), 67-79.
- Nagelkerke, A.(1991). note on the general definition of the coefficient of determination. *Biometrika*, Vol.78, , pp. 691-692.
- Nendakulola, K. (2015). The Impact of Microfinance Institutions on the growth of Micro and Small Enterprises in Tanzania: Case Study of Mwanza City (Doctoral dissertation).
- Ochieng, Z. O. (2015). Modelling the relationship and impact of the factors affecting loan default among small, micro and medium enterprises (Doctoral dissertation, University of Nairobi).
- Odior, K., & Emudiaga, R. E. On the Assessment of the Adequacy of the Fitted Regression Model Using the Confidence Interval. Odongo, J. (2014).Lending terms and financial performance of small medium enterprises in Uganda: Case of Soroti District. *Research Journal of Finance and Accounting: www. iiste. org ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online)(5), 2.*
- Odongo, J. (2014). Lending terms and financial performance of small medium enterprises(SMEs) in Uganda: Case of Soroti District. *Research Journal of Finance and Accounting: www. iiste. org ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online)(5), 2.*
- Park, H. (2013). An introduction to logistic regression from basic concepts to interpretation with particular attention to nursing domain. *Journal of Korean Academy of Nursing*, 43(2), 154-164.
- Pasha, S., & Negese, T. (2014).Performance of loan repayment determinants in Ethiopian micro finance(MF) An analysis. *Eurasian Journal of Business and Economics*, 7(13), 29-49.
- Rose A.(2007).Ministry of State for Youth Affairs, Kenya.
- Sartie,Y(2017).The Role of Micro and Small Enterprises for Economic Empowerment: the case of Addis Ababa, Ethiopia
- Savio, R., Tamirat &Velan, K. Senthil ,2017) “Loan Repayment Performance of Micro Small Enterprises”, *International Journal of Computational Research and. Development*, Volume 2, Issue 2, Page Number 154-159, 2017
- Sayuti, A., and Ibrahim, K.(2017).Determinants of Microfinance Bank Loan Default in Niger State, Nigeria.
- Signoriello,V. J. (1991).Commercial Loan Practices and Operations Bankers Publishing.
- Shide, A. (2012). Small and Medium Enterprises as Drivers of Productive Capacity and Job Creation.

The Economic and Social Council (ECOSOC) High Level Africa Regional Consultation.
Addis Ababa

- Shiferaw, M., & Abuye, M. Determinants of Loan Repayment Performance: Evidence from in Small and Medium Enterprises(SMES): In Case of Gurage Zone: Ethiopia.
- Siyum, M. (2015). The Role of Micro and Small Scale (SMEs) Business Enterprises in Urban Poverty Alleviation: A Case Study on Cobble Stone Paving Sector in Addis Ababa City. *Unpublished Master's thesis, Addis Ababa University, Addis Ababa.*
- Solomon ,E (2013).Factors influencing the Loan Repayment Performance of Urban Woman in Tigray a case of Deddebit Credit and Saving.
- Tadesse, B. (2010). The Role of Micro and Small Enterprises(SMEs) in Employment Creation and Income Generation: A Survey Study of Mekelle City, Tigray Region, Ethiopia.
- Taddese, Y.(2017) factors affecting loan repayment performance: the case of Enat Bank Share Company (Doctoral dissertation, St. Mary's University).).
- Tarfasa, S., Ferede, T., Kebede, S., & Behailu, D.(2016). Determinants of growth of micro and small enterprises (MSEs), Empirical evidence from Ethiopia”. R4D Working Paper 2016/3.
- Taddese, Y.(2017) factors affecting loan repayment performance: the case of Enat Bank Share Company (Doctoral dissertation, St. Mary's University).).
- Teklay,A.,and.Amsalu,S.,(2017) Oromia Credit and Saving Share Company (OCSSC) in Strengthening Small and Micro Enterprises (SMEs) of Guder Town, Toke Kutaye District, West Shoa Zone of Oromia Regional State, Ethiopia. ISSN 2222-2839 (Online) Vol.9, No.22
- Prenaj, V., & Ismajli, H. (2018). Definition of Enterprises in the European Union,Western Balkans and Kosovo. *Baltic Journal of Real Estate Economics and Construction Management*, 6(1), 62-73.
- Pasha, S., & Negese, T. (2014). Performance of loan repayment determinants in Ethiopian micro finance(MF) an analysis. *Eurasian Journal of Business and Economics*, 7(13), 29-49.
- Verbeek, M. 2008. ‘A Guide to Modern Econometrics’, 3rd edition, John Wiley and Sons,Ltd, RSM Erasmus University, Rotterdam.
- Wooldridge, Jeffrey M. 2000. *Introductory Econometrics, a Modern Approach* 2nd Edition. South-Western College Publishing, 2000.
- WTO. (2016). *Leveling the trading field for SME.*

- Yamane, T. (1967). *Statistics, an introductory analysis*. New York: Harper and Row.
- Yednekachew, H. (2016). *Factors Inhibiting the Growth of Micro and Small Enterprises (SMEs) in Ethiopia: Case of Addis Ababa*. Addis Ababa: Addis Ababa University.
- Zemenu, A., & Mohammed, M. (2014). Determinant of Growth of Micro and small enterprises in Ethiopia (A Case of MSEs in Mekelle City, Tigray). *International Journal of Advance Research in Computer Science and Management Studies*, 2(6), 149-157.

Appendix I Questioners

JIMMAUNIVERSITY

College of Business and Economics

Department OF Accounting and Finance

I would like to ask you to me by answering the following questions Determinants of loan repayment of Small and micro enterprises .this survey is conducted by help of Department of Accounting and Finance, College of business and economics, Jimma university, this is not test to there is no right or wrong answers and you do not even have time to your name on, I'm interested your organization personal opinion. Please give your answers sincerely as only this will guarantee the success of the study. The content of this form is absolutely confidential. Information identifying the respondents will not be disclosed under any circumstances. This questionnaires' formal will be filled only by owners /managers of the enterprises .Thank you very much for your help.

Questionnaires for borrowers/clients

1. Age: _____

2. Sex Male Female

3. Marital Status

Married Widowed

Unmarried Divorced

4. Educational level

Below Grade 9 Grade 10-12

First degree (BA) Second degree (MBA) Doctor (PhD)

5. Are you manager of the enterprises? Yes No

6. If you answer of no. is NO what is the educational level of the manager?

A. below grade9 B. Primary school C. Secondary school

D. Diploma E. Degree _____

7. How many experience you have the manager (if you are manager)?.

A.less than one year B. from 1-5 years C. 5-10 Years D. above 10 years

8. Did you get the loan before joining the institution?

Yes

No

9. Do you get credit during 2010 and 2011?. Yes

No

10. Is the Age of leader can affect the loan repayment?. Yes

No

11. The higher age group more defaulters than lower age group? Yes

No

12. If yes who provide you?

A. Bank

B. micro finance

13. Do you have similar business experience before becoming a manager of this micro and small enterprise? Yes

No

14. How many employees are working in the enterprises/. A. less than 5 B. 5-10 employees
C.greaterthan10 employees

15 . Do you consider infrastructure as being important for loan repayment? Yes

no

16. Do you think the location of your business is attractive business area?.

Yes

No

17. What is the size of your business?. A.small Micro C.Midium D.other_____

18. Do you group members attained training?. Yes

No

19. In which type of sector does the business enterprise you are leading operates in?

Manufacturing

Agriculture

Construction

service

Trade

other_____

20. What is the status of your enterprise? Defaulter

Non defaulter

21. Is there Accessible market for your product? Yes

No

22. (Infrastructures) Shortage electricity, water supply, lack of road does influence your business running and your loan repayment ability? Yes

No

23. Do you replay loan with in specific period? Yes

No

24. If the answer of Q 23 .is yes repayment schedule is enough? Yes

No

25. If you answer question no.23 No. What did you think the suitable repayment period?. A. weakly
B. Monthly C. quarterly D. semiannually E. other (brief)_____

26. Is semiannually installment suitable for your repayment?. Yes

No

27. Have you ever failed to repay according to the schedule Yes No
28. if your answer Q.26 yes how many times A. once B. twice C. more than twice
29. if your answer of Q.26 yes what is the reason for failure A. Market problem B. Technical problem C. working capital problem D .others(write)_____
30. What is mechanism you to pay the overdue loan balance? A. chance of the enterprises site B. Loan diversion C. sell of property D. others (write)_____
31. Does the creditor officers visit your enterprises activities?. Yes No
32. Are there supervision, follow up and evaluation done by the responsible body?
Yes No
33. Do you consider supervision as being important for loan repayment?.
Yes No
34. As your enterprises do you have book keeping recording that all revenues, expenditures, expenses generally recording all activities yes No
35. Accessibility of market make good performance for loan repayment performance?. Yes No
36. Enterprise member's size can affect the loan repayment performance?. yes No

Please answer the Question by filling the blank

1. What you recommended the loan officers for further improvement? While loan processes as their clients_____
2. Please give general comments on the Determinants of the loan repayment of your enterprises with relative to your enterprises_____
3. Generally what mostly affect to repay your loans as your enterprises_____?

Appendix II Gaaffilee

Yuniversitii jimmaatti

Kolleejjii Bizinesi fi Ikkonomiksii

Muummee Akkawunting fi Fayinansii

Guca Qo'annoo fi Qorannoo

Gaafannoo kun qorannoo mata duree “WANTOOTTA WALDAALEE MIKROO INTERPRIZII XIXIQQOON LIQII LIQEEFFATAN DEEBISANII AKKA HIN DEEBISNE MURTEESSAN/DHIIBBAA FIDAN/ qorachuu dhaaf yoo ta'uu qorannoon kun kan gargaaruu qorannoo fi qo'annoo digrii 2^{ffaa} tiif gargaarsa muummee Accounting kolleejji businesii fi ikkonomiksii yuniversitii jimmaa yoo ta'uu gaaffilee armaan gadiitti dhiyaatan qormaata miti deebii siirrii fi sirrii hin taanee deebisuu osoo hin taanee yaada dhimma kana irrattii qabdan akka nuuf kennitan barbaanneeti . Kanaafuu milkaa'ina qorannoo kanaatiif yaada sirrii guutuun akka nuuf daabistan kabajaan isin gaafadha.

Maqaa keessan barreessuun hin barbaachisu waan nu gargaartaniif galtooomaa!.

1. Umurii : _____

2. saala dhiira dhalaa

3. Haala fuudhaa fi eerumaa

Fuudheera/tti fuudhee hiikee/te hin fuunee/eerumne

4. Sadarkaa barnootaa

Kutaa sagali gadi kutaa 11-12 diploma

digrii 1ffaa (BA) digrii 2ffaa (MBA) Doktora (PhD)

5. Ati manaajera waldichaatii? Eeyyee lakkii

6. Sadarkaan barnoota keetii/ geggeessaa waldichaa meeqa?.

A.kutaa sagalii gadi B.kutaa 10-12 C. Diplomaa F.digrii 1ffaa fi isaa oli

Kan biro _____

9. Geggeessummaa irratti muxxannoo hamman qabdaa (yoo manaajera taate)?.

A.waggaa tokko gadi B. waggaa 1-5 C. waggaa 5-10 D. waggaa 10 oli

10. Utuu waldaan hin ijaaramin liqii argattee beektaa?

Eeyyee

lakkii

11. Umuriin liqii deebisuu irratti dhibbaa qabaa?. eeyyee lakki

12. Warri umurii gurguddaa liqii deebisuu irratti warra umurii xiqqoo gadi? eeyyee lakki

13. Bara 2015 -2019 tti liqii argattaniittuu?. eeyyee lakkii

12 . Yoo liqeeffatanii eenyurraa?. A. bankii B. WLQO

13. Waldaan keessan hojjettoota meeqa of keessaa qaba?. A. 5 gadi B. 5-10 C. 10 olii

14. Iddoon hojii keessanii hawwataadhaa/maamila keessaniifi akkasumas haala hojichaatiif mijataadhaa?. eeyyee lakki

15. Ballinni waldaa keessanii hammami?. A. Baay'ee xiqqoo B. xiqqoo C. G/Galeessa

kan biroo _____

16. Miseensonii waldaa keessanii hundi leenjii fudhateeraa?. eeyyee
lakkii

17. Waldaan keessan maalirratti ijaaramee hoojjechaa jira?

Oomisha Qonnaa Ijaarsa Daldaallaa tajaajila

kan biroo _____

18. Waldaa keessan liqii liqeeffate irratti maal fakkaata? Deebisneerra hin deebisne

19. Oomisha oomishtaniif gabaa gahaa ni argattuu? Eeyyee lakki

20. Bu'uraaleen kannen akka human isaa, bishaanii dhabuun hojii keessan gegessuu fi liiqii deebisuu irratti diibbaa qabaa?. eeyyee lakkii

21. Liqii isin irra jiruu yeroo kennamee keessatti deebistaniittuu? eeyyee
lakki

22. Gaaffii 21ffaa eeyyee yoo jettan yeroon keennamee ga'aadhaa? eeyyee
lakkii

23. yoo gaaffiin 21ffaa lakkii jettan utuu hammamin ta'ee gaariidha jettu?. A.ji'aan
B.walakkaa wagaa D.ji'a afur afurin E.kan biroo n _____

24. Akkaataa sagantaa kaffaaltii qaamaa isinii liqeesseetin kaffaluu dadhabdani beektuu?.
eeyyee lakkii

25. Gaaffii 24 ffaan eeyye yoo ta'ee yeroo meeqa?. A. yeroo tokko B. yeroo lama C.yeroo lamaa oli

27. yoo yeroon hin kaffaallee rakkoo maaliitu isin muudate?. A. rakkoo gabaa B.rakkoo tekniikaa C. rakkoo baajataa D .rakkoo deggersaa dhabuu E.kan biro_____

28. Yoo kaffaluu dadhabdan kaffaaluuf mala akkamii fayyadamtuu? A.carraa ofii eeguu B.qabeenya biro irraa kaffallaa C.meshaalee hojii ittin hojjennu gurgurraa D.liqeeffannee kaffalla E) kan biroo_____

29. Waajjirri liqii kennee isin hordofaa?. eeyyee lakki

30. Yeroo yerootti wajjiraaleen mootummaa hordoffiii fi deggersa walirraa hin citne isiinii godhuu?. Eyyee lakki

31 Deggersaa fi hordoffiin qaama leqeessee liqii yeroon akka deebistaniif ni gargaara jettuu?. eeyyee lakki

32.Akka Waldaa keessaniitti galmee hordoffii baasii fi galii walumaa galatti sochii hojii keessani ittin hordoftan qabduu?. Eeyyee lakki

33. Gaaffii 32 ffaan eeyyee yoo ta'ee baasiif galii keessan hordofuun liqii keessaan akka kaffaltan ni gargaara jettanii yaadduu?. Eeyyee lakkii

34. Gaaffii 32 ffaan eeyyee yoo ta'ee galmee keessan irratti karoora liqii deebisuu qabattanii qusachaa ni adeemtuu?. Eeyyee lakkii

35. Gabaan jiraachuun dandeettii liqii deebisuu ni dabalaa?.

36. Miseensi waldaa baayyachuun liqii deebisuu irratti dhiibbaa qabaa?. Eeyyee lakki

Guca 3. Iddoo duwwaa kana guutuun yaada keessan nuuf kennaa

1. Waajjira liqii kennuuf yaada keessan kennaa? _____

2. Yaada liqii deebisuudhaan walqabatuu akka waldaa keessanitti maaltu jira ifa gochuun yaada keessan nuuf kennaa_____

3. Walumaagalatii wantootni akka liqii hin deebisneef dhiibbaa geggeessaan maal fa'ii jettanii yaaddu?_____?