#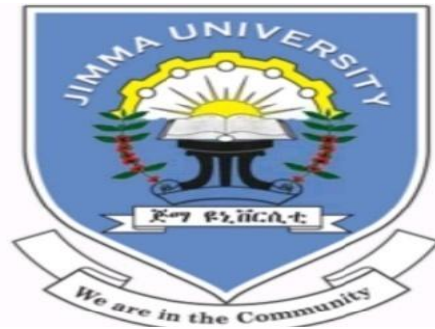 FACTORS AFFECTING LOAN REPAYMENT PERFORMANCE OF MICRO AND SMALL ENTERPRISES BOROWERS: CASE OF MSEs BOROWERS OF OROMIA CREDIT AND SAVING S.C. (OCSSCO) IN JIMMA ZONE

A RESEARCH PAPER SUBMITTED TO JIMMA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS DEPARTMENT OF ACCOUNTING AND FINANCE IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTERS OF SCIENCE (M.Sc.) IN ACCOUNTING AND FINANCE

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STATEMENT OF CERTIFICATION

This is to certify that this thesis titled "**Factor Affecting the Loan repayment performance of Micro and Small Enterprises borrowers: Case of MSEs borrowers of Ormia Credit and Saving S.C. (OCSSCO) in Jimma zone**" is the original work of Mrs. Zerihun Ayele Abebe and is hereby submitted for the award of the Master's Degree in Accounting and Finance. We also certify that this work has not been submitted for the award of Master's or any other degree in this or any other University.

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JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

SCHOOL OF GRADUATE STUDIES

MSC WEEKEND PROGRAM

Factor Affecting the Loan repayment performance of Micro and Small Enterprises Borrowers: Case of MSEs borrowers of Ormia Credit and Saving S.C. (OCSSCO) in Jimma zone selected branches

By

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External Examiner   **Signature**   **Date**

ABSTRACT

Microfinance institutions in Ethiopia are playing a great role in the economic development and creating employment opportunity strategies which have been initiated by the government of Ethiopia. These institutions have a mission of creating and facilitating credit and other financial access to enhance self-employment opportunities and poverty reduction. However, repayment problem is an obstacle and have been challenges in the microfinance institutions' regarding reducing the high rate of default by their clients specifically with micro and small enterprise borrowers. These challenge initiated a research with the objective of examining and identifying factors affecting the loan repayment performance of MSEs financed by MFIs, in the Case of Oromia Credit and Saving S.C. (OCSSCO) at Jimma Zone selected MFIs. To address the main objectives of the study, four Wereda offices of OCCSCO were selected for the study purpose. Accordingly in order to achieve the objective 331 sample borrowers were selected from the total of MSEs borrowers served by those selected MFIs zonal offices. The data were collected using a structured questionnaires, and interviews. Data were analyzed by using descriptive statistics in Cross-tab analysis including, frequency and percentages were used to describe the borrowers related, business related, technical support related and socio-economic related characteristics. Moreover, a binary-logistic regression model were employed to estimate the model and analyze with the help of SPSS window 21.0 version. A total of fifteen variables were included under the five explanatory variables in the regression. The results show the variables were found to be statistically significant to influence loan repayment. Of this, being woman, increasing of age & other source of income, monitoring each other, business experience, loan monitoring and supervision, getting adequate training, market demand, technology adoption have increased the probability of non-default significantly, Whereas price inflation, socio-cultural relationship have decrease the probability of non-default significantly though the level of significance differs. Therefore, consideration of these factors is vital as it provides information that would enable to undertake effective measures with the aim of improving loan repayment performance. So it is recommended that the lending institutes need to focus on monitoring loan utilization systems of borrowers and technical support needs of the target borrowers through delivering better awareness creation to organize the more viable borrowers, close supervision, and follow-ups and strengthening their internal and external weaknesses through better training.

Key Words: **Loan repayment, performance, Microfinance institutions (MFIs), Micro and small enterprise (MSEs), borrowers, Default and binary logistic regression.**

ACKNOWLEDGMENTS

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ABBREVIATIONS /ACRONYMS /

ADCSI:	Addis Credit & Saving Institution
AEMFI:	Association of Ethiopian Micro Finance Institutions
GDP:	Gross Domestic Product
JMFS	Jimma Micro Finance Service
LRP:	Loan Repayment Performance
MFIs:	Micro Finance Institutions
MFS	Micro Finance Service
MSEs:	Micro and small Enterprises
NBE:	National Bank of Ethiopia
OCSSCO:	Oromia Credit & Saving Share Company
SPSS :	Statistical Packages for Social Science

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The proper recovery of loan is not only a prerequisite for rapid expansion of Microfinance service but also a question of survival (Dula. A., 2012). The loan is a single largest asset in Microfinance institutions' balance sheet. Thus, it's essential to learn about the factors that affect this asset. Ethiopia has set out its march on the achievement of development and transformation plan with a national vision of building a middle-income nation that will ensure social justice. To realize this national vision the country developed different programs which the Micro and Small Enterprise Development is one of them.

Nowadays MSEs are recognized as vehicles for economic growth and reduce poverty and unemployment. MSEs play an important role in the growth and development of the economies of low income countries like Ethiopia in-terms of employment creation, contribution to GDP, export promotion, stimulating the development of innovation, and indigenous skills for sound entrepreneurship, decentralization of industries, industrial linkages, and utilization and equal distribution of resources and transfer of technology.

More generally, the development of MSEs is seen as accelerating the achievement of wider economic and socio-economic objectives including poverty alleviation especially for less developed nations like Ethiopia. Although the contribution of the sector is very much important, it is not without problems; MSEs in Ethiopia are confronted with several drawbacks and challenges they have to overcome in order to operate successfully. Major obstacles include access to finance, competition, market access and situations, appropriate technology and access to raw materials skilled man power etc. (Berihu. A., 2014).

However, a peculiar and most critical problem to MSEs in developing nations, like Ethiopia, is lack of access to financial sources both as initial and as working capital as finance is pointed out to be the "glue" that holds together all the diverse aspects involved in MSEs (Green E. K., 2002). Thus,

addressing the most constraining factor, i.e. financial sources can be considered as tackling the other factors. To deal with this issue one should understand how these enterprises raise finance at the outset or establishment and in their operation. In order to realize the expected results from MSE's the government of Ethiopia extends direct policy support to MSE operators, the direct policy support includes access to markets, access to finance, access to industrial extension, access to training and technological support. So it's the Micro finances' role to provide financial service for MSE's. In this regard, microfinance is expected to play the greater role specifically in providing finance for small and Microenterprise which is a core of the development plan of the country. Therefore, to enhance the contribution of microfinance service it's important to ensure the microfinance sustainability which highly depends on portfolio quality.

The proper recovery of loan is not only a prerequisite for rapid expansion of Microfinance service but also a question of survival for any credit agency. In Ethiopia, the administrative measures applied to enforce repayment are harsh and did not take into account borrower's circumstances. The system does not accommodate the interests of borrowers who are willing to incur additional interest by delaying crop and other asset sales in hopes that price will be better off later in the year. Defaults in Ethiopia may arise from three major factors. The first is the inability of borrowers to repay the loan because of failure of production and another investment for various reasons. Secondly, due to the unwillingness of the borrowers to repay because the loan is sometimes viewed as a grant or as a political favor. The third factors could be institutions procedure and policy problems.

The systems of credit delivery and collection mechanisms of the institutions have contributed to poor loan repayment Zemen (2012) cited in (Dula. A., 2012). Loan default is a tragedy because failing to implement appropriate lending strategies and credible policies often result in the dying of credit institutions. Default problems destroy lending capacity as the flow of repayment declines, transforming lenders into welfare, in the head of viable institutions. Loan defaults deny new applicants access to credit. In the context of third world lending programs, the cost of defaulting include not only the loss of future credit but also public embarrassment and the loss of social standing (Belay, 1998) cited by (Dula. A., 2012).

Despite the above studies identified various factors affecting the repayment performance; there might be differences in livelihoods of the MSEs member borrowers and capacity level of the institutions in different Settings. Since the previous studies are not focused on specific to Micro and Small Enterprises rather on all target customers of MFIs by covering specific areas of the study, the rationale beyond this study was to investigate the factors affect the loan repayment performance of MSEs financed by microfinance institutions: in the case of Oromia saving and credit S.C. (OCSSCO) in Oromia region Jimma zone, in order to make better the Repayment performance and put in strong groundwork in the development of the financial service of the Microfinance industry as well.

In this chapter, the overall background of the study, the statement of the problem, the General and specific objective of the study, the significance of the study, the scope of the study and limitations of the study will be discussed in details. Furthermore, the views of various authors indicated in this paper will be assessed and discussed based on the relevance of their opinion on the subject matters.

1.2 Statement of the Problem

Despite the sustainability of Microfinance institutions depends largely on their ability to collect their loans as efficiently and effectively as possible, Microfinance institutions offer loans mostly to community members who cannot afford collaterals to get loans from the main commercial banks.

The problem of loan default reduces the lending capacity of the financial institution. It also denies new applicants access to credit as the Microfinance institution's cash flow management problems augment in direct proportion to the increasing default problem. That means it may disturb the normal cash flow of the fund as a Micro financial institution has to keep staying in sustainable to play their role effectively and efficiently. i.e., to be financially viable or sustainable, Microfinance institutions must ensure high portfolio quality, or at worst low delinquency, cost recovery, and efficient lending.

As a result, various studies are conducted on factors affecting non-repayment of loans among which (et.al., 2012) (March 2013), (et al., 2016) (Bichanga, 2013) (Berhanu, 2005) (Samuel, 2011) are few ones. These studies identified so many factors which could arise from businesses

characteristics like type of business, age of the business, number of employees and business profit and the socioeconomic factors like family size, income from other activities, livestock holding, membership duration, loan diversion, loan supervision and monitoring, training on loan use and celebration of social ceremonies are other factors affecting loan repayment performance.

However, given the diversified livelihoods of the borrowers and different capacity level of the institutions there have been challenges in the Microfinance institutions regarding reducing the high rate of default by their clients; i.e. for the last couple years of operations, that Micro finance operating in Ethiopia, especially in Oromoia has been facing a severe decline in repayment recovery rates. For example: According to OCSSCO annual report 2017, despite the overall PAR (portfolio at risk) rate of the company is less 5% which comply with the NBE requirement, the MSEs loan which has been contributing greatly for poor portfolio quality for the past years of operation is still keeping on 10.58% PAR (portfolio at risk) share from the total outstanding loan of the company. The OCSSCO annual reports 2017 show the decline comparing to the past years i.e. 2018 annual reports in loan repayment rate is high specifically in MSE borrowers, which is a cause for concern because of its consequences on individual, businesses, industry and the economy of the country at large as well as specific to the study area.

In this regard, this study aims to investigate the factors affecting loan repayment performance of borrowers of MSE's financed by Microfinance in case of OCSSCO selected Jimma zone branches. Most of the previous researchers are focused on all target clients of Microfinance, and recent researcher consider on MSE's targeting on different variables, but this study is focused on the same MSEs borrowers which is not thoroughly investigated in problem of saving tradition market problem, loan related and others which affect their loan repayment performance. According to the reports of OCSSCO as the regional level, the loan repayment rate of borrowers has been declining in recent years which imply that there exist high default rate. Hence, the rationale beyond this study is to investigate the factors that affect the loan repayment performance of borrowers of MSEs financed by Oromia Credit and Saving S.C. (OCSSCO), one of the largest microfinance institutions which is currently operating in Oromia regional state.

1.3 Objectives of the Study

This study has the following General and Specific objectives:-

1.3.1 General Objective

The overall objective of this study was to determine factors affecting loan Repayment performance of MSE's borrowers financed by selected Branches of Oromia credit and savings Share Company (OCSSCO) in Jimma zone.

1.3.2 Specific Objectives

The specific objectives of the study were focus on the followings points:

i) To obtain the loan repayment performance of MSE's borrowers some branches of OCSSCO. In Jimma Zone.

ii) To identify the factors arising from borrowers related characteristic that affects loan repayment performance of MSE's borrowers

iii) To identify the factors arising from Loan related characteristics that affect loan repayment performance of MSE's borrowers

iv) To identify the factors arising from business related characteristics that affect loan repayment performance of MSE's borrowers

v) To identify the factors arising from technical support of lender institution related characteristics that affect loan repayment performance of MSEs borrowers.

vi) To identify the factors arising from the economic and cultural related characteristics that affect loan repayment performance of MSE's borrowers.

1.4 Research Questions

In order to achieve the main objectives of the study, six research questions have been developed.

➢ What is the percentage of default rate from the total sample of MSE's borrowers?

➢ What factors of borrowers related characteristics that can significantly affect the repayment performance of borrowers?

➢ What factors arise from loan related characteristics that can have a significant impact on loan repayment performance of borrowers in the study area?

➢ What factors arise from business related characteristics that can have a significant impact on loan repayment performance of borrowers in the study area?

➤ What factors arises from technical policy support of lender related characteristics that can have a significant impact on loan repayment performance of borrowers in the study area?

➤ What factors arises from the overall economic and cultural related characteristics have a significant impact on loan repayment performance in the study area?

1.5 Hypothesis of the Study

Based on the objectives of the study, the researcher tried to hypothesize the following factors to evaluate their influences on the loan repayment performances of borrowers.

H1: The borrower's related characteristics factors (age, gender & income) can significantly affect loan repayment performances of borrowers.

H2: The Loan related characteristics factors (Loan size, peers monitoring, loan utilization, credit timeliness, and loan repayment schedule suitability) can significantly affect the loan repayment performance of borrowers.

H3: Business related characteristics factors (business experience, technology adoption, and keeping book of records) can significantly affect the loan repayment performance of borrowers.

H4: Technical support related characteristics (availability of adequate training, supervision, and other supports to Microfinance services) can significantly affect the loan repayment rate of MFIs.

H5: The economic & cultural related characteristics (market demand, inflation, and Social life) can significantly affect the loan repayment performance of borrowers.

1.6 Significance of the Study

The study will have a number of significances. Principally, it contributes to the efforts being made by Microfinances as well as a National Bank of Ethiopia in setting appropriate criteria and standard procedures of loan disbursement that will help to improve the loan repayment performance of borrowers in microfinance institutions. Accordingly, the result of this study may give insight to Micro finances to be aware of the current factors affecting loan repayments performance of

borrowers in the study area and helps in finding relevant recommendations to solve the problem of loan default by clients and help the Microfinance institutions to design successful loan programs. Furthermore, the finding of the study may help others, who have intentions to investigate the topic further.

1.7 Scope of the Study

The company has three target customers namely self-help group customers, individual customers, and micro and small enterprises that have access to a loan. The scope of the present study scope is limited to the borrowers of micro and Small enterprises only. Since the recovery rate decline is high in this target customers of the company. This study was focused only on the factors that affect the loan repayment performance of MSEs borrowers financed by microfinance institution in case of selected branches of OCSSCO in Jimma zone.

The study also concerned on factors of borrowers related characteristics, loan related characteristics, business related characteristics, lenders technical support related characteristics and economic & cultural related characteristics which are weather they may affects borrowers performance or not on the repayment of debt.

1.8 Organization of the Study

The major sections of this research paper are organized as follows: The first chapter consists of the introduction parts. The second chapter consists of a review of the theoretical and empirical related literature on MFI related factors that can affect repayment performance of borrowers at all. The third chapter is describes the methodology of the study. In chapter four methods of data collection, data collection instrument, approach, and descriptive results analysis of the findings were discussed and as well as the econometrics regression results of the findings are going to analyze slightly. Final chapter is ends with summary, conclusions, and recommendations of the study in general.

CHAPTER TWO
LITERATURE REVIEW

The study of literature has contains four part. Part one has there a theoretical considers of factors affecting the loan repayment performance of borrowers of MSEs The second appropriate empirical studies factors which affecting the loan repayment performance. Thirdly, conclusions and knowledge gaps are existed in section three. Finally Conceptual framework of the Study which are included.

2.1 Theoretical Overview

2.1.1 Theoretical Overview of Loan and Microfinance

Despite the fact that the microfinance concept has been used globally for centuries; it's Bangladesh's Muhammad Yuns' who is credited with being the pioneer of the modern version of microfinance. Joseph Blatchford is also credited with helping build up the modern-day micro financing efforts (Brooks., 2013). After the concept of the microfinance initiated in Bangladesh, different countries using this concept to fight poverty. They provide the charges free loans to vulnerable people, particularly in rural areas; they also provide loans with cost but collect money in installments. Borrowers are structured into groups which minimize the threat of being defaulter because the members of a group are close to each other and the cost of security is also low.

Microfinance is different from conventional financing in that there is no need for collateral security because poor people have no possessions for making as security. It's obvious that the management of all asset and liabilities is essential if we are to achieve efficiency and effectiveness. The loan is the single largest asset in most of MFI's balance sheet. As the result, it's suggested that management by exceptional principle be applied. There are several reasons justifying the application of this principle the first factor is its size relative to other assets. The second factor is its implication to the income of MIF's. The third reason is its implication on liquidity. The fourth reason is its implication to the credibility of MFI as some of these loans are financed out of saving deposits.

According to Sinha (1998) sited in (Dula. A., 2012) "microcredit refers to small loans, whereas microfinance is appropriate where NGOs and MFIs supplement the loans with other financial services (savings, insurance, etc.)". Therefore, microcredit is a component of microfinance and involves providing credit to the poor, but microfinance involves additional non-credit financial services such as savings, insurance, pensions and payment services, Okiocred (1998) cited in (Dula. A., 2012)

2.1.2 Theoretical Arguments on Loan Default Problem

A loan default occurs during a borrower fails to make a payment on time after an agreement has been reached between the lender institution and the borrower. It also occurs when the borrower does not comply with any other agreement made on the promissory note. Loan default is essential of two basic types. The first and the most common type occur when the debtor defaults on a payment of interest or principle. This might be because the debtor is either unable or unwilling to repay the debt. The second type of default occurs when the debtor violates any of the agreements made on the promissory note either purposely or unintentionally (Dula. A., 2012).

The loan may be either formal or informal one. When we think of small businesses in Less Developed Countries, the major source of finance so far is an informal sector. The probability of default of small-scale enterprises loan from informal sources is low because informal financial markets are much closer to their clients and potential clients, and through gossip and daily contact they are much more aware of their activities than a formal banker, thus they know the risks they are exposed to. On the other hand, small-scale credit scheme from formal financial markets has experienced a high rate of default in many developing countries (Dula. A., 2012). Non-defaulters are those who repaid the loan in due date and the defaulters are those who did not repay the loan within the due date. The proper recovery of loan is not only a prerequisite for rapid expansion of microfinance service but also a question of life or death for any credit agency (Dula. A., 2012).

Loan default is a tragedy because failing to implement appropriate lending strategies and credible policies often result in the demise of credit institutions. Default problems destroy lending capacity as the flow of repayment declines, transforming lenders into welfare, in the head of viable institutions. Loan defaults deny new applicants access to credit. In the context of third world

lending programs, the cost of defaulting include not only the loss of future credit but also public embarrassment and the loss of social standing (Belay, 1998) as cited by (Dula. A., 2012).

It is advised that one should pay back a borrowed loan in the shortest time possible as this will avoid him or her paying a lot of unnecessary money in the form of interest. One would borrow money in order to make money**.** There could be thousands of reasons people borrow money. For consumption, farming activities, asset buildings like buying a car, a home, to take a vacation, etc.

2.1.3 Lending Methodology

2.1.3.1 Group Lending

Group lending is an approach to lending a small amount of money to a large number of borrowers who cannot offer collateral. Group members are jointly accountable for the repayment of each other loans through peer pressure. The entire group members will be disqualified and will not be eligible for further loans, even if one member of the group becomes a defaulter. The size of the group can vary, but most groups have between three to eight members, the group self-selects its members before acquiring a loan (Abdillahi F., 2008).

2.1.3.2 Individual Lending

Individual lending is a methodology in which institution provides credit to the individual borrower. In this approach, traditional or nontraditional collateral or loan co-signer is requested.

Traditional collateral includes household and business assets while conventional collateral includes the approach used by commercial banks to screen borrower's proposal, business plan and others (Abdillahi F., 2008).

2.1.3.3 Group Solidarity

According to (Abdillahi F. , 2008), group solidarity is an approach, unconventional policy, in which loan is provided to the individual through the group. A lender does not request group members to meet collateral requirements. The base of this methodology is the mutual trust among the group members and loan is provided just using the five-person guarantee, where the individual borrower is responsible for the repayment of the loan.

2.1.4 Determinants of Loan Repayment Performance

(Arene., 1992), outlines the main factors that determine loan repayment performance as loan size, enterprise size, income, age, number of years of business experience, the distance between homeland source of the loan, education, house old size, adoption of innovations and credit need. (Von., 1980), identified two problems as major causes of poor loan recovery performance: credit design project problem and credit project implementation problems. Credit project design problems include debt versus equity, realism versus aspiration (how realistic the projection of the project designer is), expected value versus dispersion (detailed consideration of the variety of result which occurs in the field), bookkeeping convenience versus borrower cash flow patterns, collection mechanism, institutional scope or range of services offered and interest rate. Credit project implementation problems include low service levels, coordination, access i.e. (information problem and lack of decision making the experience in lending to specific target groups) and financial recording.

The finding above revealed that the probability to loan repayment depends on the borrowers' specific characteristics (age, education, experience, sex, household size, loan utilization),loan contract terms (i.e. repayment installment, collateral, frequency of maturity, grace period, loan volume, interest rate, number of disbursement) another factors such as technical advice, level of social cohesion(for micro enterprises).

Joint liability Guinean, (1999) review the key mechanisms proposed by various theories through which joint liability could improve repayment performance rates and the welfare of credit-constrained borrowers. They suggest that to alleviate the problems facing borrowers, mechanisms such as screening, monitoring, auditing, and enforcement can effectively increase repayment. Fischer and Greg propose utilizing the local information social capital that exists among borrowers to reduce the prevalence of default (Fischer G. , 2010).

Group lending mechanism has several inherent implicit economies. The cost of screening and monitoring for creditors can be low as a result of close familiarity with borrowers. In this case, information is easy to get because of living near the borrower or being part of the same group. Members know each other's actions, types, and states than outsiders. Furthermore, social pressure among members of the same group may be high and more efficient means of motivating loan

repayment. Consequently, many financial institutions apply group lending principles to achieve the advantages of peer groups when extending and recovering credit from clients.

High-frequency repayment borrowers are typically required to repay their loans in regular installments, soon after loan disbursements. This aspect of the repayment schedule is usually explained as inducing „fiscal discipline" among borrowers. Jan and Mansur (2003) argue that an alternative rationale for this loan structure is reflected in the monitoring of the borrower's actions. The likelihood that a borrower will default pauses a risk which compels MFIs to use innovative mechanisms, which indirectly co-opt the better informed informal lenders (Fischer G. , 2010).High frequent repayment though attracts certain costs. It imposes an opportunity cost of meeting attendance on borrowers and direct costs on the lender. It might also distort the investment incentives of borrowers towards projects that generate consistent if meager returns (Fischer G., 2010).

2.2 Empirical Studies on Loan Repayment Performance

A set of studies has been conducted in relation to assess the factors affecting loan repayments indifferent countries which among (Mesele Kebede., 2016), (et.al., 2012) (et.al., 2012) (et.al, March 2013), (et al., 2016) (Samuel, 2011) (Zeman, 2005)…. should be referred.

According to the study carried out in Kenya by (Florence., 2014), to analyze the factors influencing loan repayment in micro-finance institutions using descriptive survey. The study established that education level, the number of dependents, and hobbies were individual characteristics influencing loan repayment. Business characteristics influencing loan repayment were: length of operation, management, and type of business. While the lender's characteristics were: groups handled, the period taken to qualify new members and the criteria used to evaluate creditworthiness.

(Munene H. N., 2013),was carried out a study to establish the causes of such repayment defaults in Imenti North District, Kenya using a descriptive survey design individual microfinance loan beneficiaries and microfinance institution officials. A representative random sample of 400 respondents was selected from the study population using census and cluster sampling procedures for microfinance institutions officers and loan beneficiaries respectively. And the findings of the study revealed that there was a significant relationship between the types of business, the age of the

business, the number of employees, business profits, and loan repayment default. The study further indicates a strong link between technical training for loan beneficiaries and the performance of entrepreneurial businesses among the remote communities.

The study conducted by (Dula. A., 2012), with the objective of analyzing and identifying the socioeconomic factors that affect the loan repayment performance of the clients of Busa Gonofa microfinance of Ziway branch by a binary logistic regression model to analyze the socioeconomic factors that influence loan repayment. A total of sixteen explanatory variables were included in the regression. Out of these, eight variables were found to be significant for the probability of being a defaulter. These are family size, income from other activities, livestock holding, membership duration, loan diversion, loan supervision and monitoring, training on loan use and celebration of social ceremonies. Regarding the sign of the significant variables, loan diversion, family size, and celebration of social ceremonies have a negative significant effect on loan repayment rate while the remaining five variables have a significant positive effect.

(Fikirte K, 2011), had conducted a study determinants of loan repayment performance of borrowers in ADCSI MFI. The researcher revealed that age, family size, business types, sex, dependency ratio and business experience were found to be significant to influence repayment performance. Sex and constant variable have a positive relation to the probability of being defaulters while age, business experience, family size, business type and dependence ratio have a negative relationship to the probability of being defaulters.

Loan utilization supervision, suitable repayment schedule, availability of other sources of income, educational background of the borrower and value of livestock were found to be positively influence borrowers loan repayment performances, while an increase in number of supported dependents, Sex and an intentional diversion of loans from its loan agreements would negatively affect the repayment performance of borrowers (Abafita J, 2003).

(Abreham. G. , 2002), also discussed that loan diversion, featured by factors such as increased loan size, longer period and credit experience of the borrower are found to be significant to influence repayment performance of borrowers. In line with this income from other sources, having business experience on related economic activities and education are found to positively influence the

repayment performance of borrowers while sex and repayment period is negatively associated with loan repayment performances.

Moreover, the types of business activities that the borrowers engage in were found to be a factor that can influence the repayment performance of borrowers. The researcher reported also that the size of the required collateral value determines the loan rationing mechanism. That is the more the collateral values the borrower pledged, the favor they will be rationed larger sized loan by the lending institutes. To arrive at these results the researcher has employed a Log it model to estimate the significance of those explaining variable to Loan repayment performances, loan diversion and credit rationing mechanisms equations (Abreham. G. , 2002).

(Firafis, 2015), has also been revealed that perception of borrowers towards repayment periods, another source of income, availability of training, business experience, and family size have been found as factors that can influence repayment performance of borrowers and all are significant at 1%, 5% and 10% levels respectively.

(Tolosa., 2014), have been conducted his study on the performance of loan repayment determinants in Ethiopian microfinance. The researcher revealed that an increasing age of borrowers can significantly influence repayment performance of borrowers. The elder borrowers have better repayment performance than that of youngsters. Hence age, education, the time lapse between loan application and disbursement, loan size, loan diversion, repayment period, number of dependents, availability of training and supervision and advisory service to borrowers were found significant to influence repayment performance of borrowers at 1% and 5% significance levels. The researcher employed binary logistic regression to estimate the model.

(Abreham., 2016), in the study to assess factors affecting loan repayment performance of borrowers also found sex, income from other sources, monitoring utilization of other members in a group, credit timeliness, repayment time suitability, repayment trend on a monthly basis and training adequacy are significant and positively influence loan repayment performance of the borrower. While loan utilization for the intended purpose, repayment trend on an irregular basis and visit & follow-up on irregular basis was found negatively influence the repayment performance of borrowers. The extensive involvement and interference of third parties on the decisions of loan approval processing to the lending institute were found as a contribution for high defaulting.

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2.3 Conclusions and Research Gaps

As mentioned above, various studies were conducted on the determinants of loan repayment performance in different countries and studies have basically focused on the investigation of the determinants of loan repayment performance of all target customers of Microfinance borrowers.

However, there might be differences in livelihoods of MSEs member borrowers and capacity level of the institutions in diffident settings. But, the previous researchers were not indicated detail and specifically about some variables on the factor affecting the loan repayment performance of MSE's borrowers in previous studies. So it's important to conduct a further assessment on major factors that can affect loan repayment performance of borrowers specific to Micro and small enterprises and study area on borrowers related characteristics, loan related characteristics, business related characteristics, technical support related characteristics and economic & cultural related characteristics, may provide an additional picture of the gap for the microfinance practitioners to improve their lending strategies.

2.4 Conceptual framework of the Study

Borrowers related characteristics like age, sex and income from other source, loan related characteristics which include loan size, peer monitoring, loan utilization, credit timelines, and loan repayment schedule suitability, business related characteristics business experience, technology adoption and book of record technical support related characteristics, like supervision and training adequacy furthermore economic & cultural related characteristics, market access, inflation and social life, affect the loan repayment performance of borrowers. Consequently, these are operations that ensure the security of the loan such as the loan policies, proper area market analysis, and proper business screening and follow-up. Without effective mechanisms in place, loan defaults are inevitable and loan recovery might be a great challenge for microfinance institutions.

The conceptual frame wok in the figure 1 portrays the relationships between the independent and dependent variables. The study conceptualizes that the given independent variables affect loan repayment performance of the micro and small scale enterprise (SMEs) borrowers of the MFI (OCSSCO) institution under investigation.

Independent variables   **Dependent variable**

Borrower's Characteristics
➢ Age
➢ Gender
➢ Income from other source

Loan-related Characteristics
➢ Loan size
➢ Peers monitoring
➢ Loan utilization
➢ Credit timeless
➢ Repayment schedule suitability

Loan Repayment Performance
➢ None default
➢ Default

Business Related Characteristics
➢ Business experience
➢ Technology adoption
➢ Book of record

Technical Support related
➢ Provision of Training
➢ Supervisions

Economic and Cultural related
➢ Market demand
➢ Price inflation
➢ Social life

Figure 1 Conceptual Framework of the Study

Source: *Developed from the literature*

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CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

The research applied various methods for attain the result through different techniques. To this end the researcher used more qualitative and quantitative data have been conducted and the study is based on primary and secondary sources.

3.1 Research Design and Type

The study is conducted on selected OCSSCO branches in Jimma zone. The study is applied mixed research methods to analyze and interpret the findings. The descriptive, explanatory, and inferential research analyses design were applied to describe and explain the factors affecting loan repayment performance of SMEs borrowers, primary data were collected from the respondents using structured survey questionnaires, and interview with the managers and credit officers of the MFIs. Secondary data were also collected through referring different types relevant documents, journal articles, organizational manuals and annual reports.

3.2 Data Source and Instrument

The study was used both primary and secondary data sources. By applying mixed method primary data is collected by conducting Self-administered survey questionnaire and interview with the managers and credit officers of the of OCSSCO branches in Jimma zone selected branch. Secondary data also collected by referring to different types of documents like Company manual reports, journal articles, relevant reports of NBE and other regulatory bodies.

3.3 Target Population

The total population under study are number of members of Micro and Small Enterprise loan borrowers which were categorized as defaulters and non-defaulters of Oromia Credit and Saving Share Company (OCSSCO) selected branches in Jimma zone. According the Dec, 2019 of annual report of Jimma Zone OCSSCO main branch 13831 are the total members of MSEs borrowers

3.4 Sample Method

The study adopted sampling techniques to arrive at target sample borrowers. The sampling method used in the study was judgmental sampling technique. The justification for using judgmental sampling technique is because it is better than the others sampling techniques in terms of to identifying the appropriate target groups of only SMEs borrowers, loan officers, and the managers who have direct relationship with the agenda and for balancing selection of the most important influential branches of OCSSCO as a zonal level by having majority clients and potential borrowers number. The researcher conducted structured interview with the managers and loan officers of the Microfinance institutions because they are directly or indirectly involve in borrowing and repayment activities.

Table 1: MSE Outreach performance report From OCSSCO.

N.S.	Branches	No of MSEs	Number of MSEs served			Percentage of MSE Members Served
			Male	**Female**	**Total**	
1	Omo Nada	248	1100	278	1378	10.03%*
2	JMFS	259	744	451	1195	8.70%*
3	Seka Chekorsa	182	646	174	820	5.97%*
4	Kersa Jimma	161	661	139	800	5.82%*
5	Botor	161	614	168	782	5.70%
6	Ch/Botor	134	627	143	770	5.60%
7	Gera	66	168	182	750	5.46%
8	Sekoru	135	577	131	708	5.16%

9	Goma	133	583	102	685	4.99%
10	Setema	128	415	130	545	3.98%
11	Bilu	87	327	174	501	3.65%
12	Limmu Seka	100	407	73	480	3.50%
13	Aggaro	104	290	182	472	3.44%
14	Shebe	95	351	114	465	3.39%
15	Limmu Kossa	72	373	76	449	3.27%
16	Dedo	85	327	105	432	3.15%
17	Sigimo	94	275	148	423	3.08%
18	Gumey	76	302	116	418	3.04%
19	Manna	69	330	23	353	2.57%
20	Abajifar MFS	93	188	155	343	2.49%
21	Tiro Afeta	66	269	52	321	2.34%
22	Nonno Benja	71	202	101	303	2.21%
23	Akko	31	151	31	182	1.33%
24	Bilida	37	130	26	156	1.13%
	Total	2687	10457	3274	13731	100%

Source: OCSSCO in Jimma zone branches third Quarter report for the year ended 2019

3.4.1 Sample Size Determination Technique

As the scope of this study is limited to Micro and small enterprise's borrowers in Jimma Zone selected microfinance institutions (OCSSCO), the only microfinance institution serving the MSEs

OCSSCO in purposively selected. As it was indicated in Table-1 below, four branch offices (Ommonada, JMFS(Jimma Micro Finance Service), Seka chekorsa, and Kersa Jimma) were selected for the study purpose from all 24 branch offices of Jimma zone OCSSCO branches based on the proportional level of their significance in terms of a number of MSEs members served by each branch Offices.

3.4.2 Sample Size

From the researcher's preliminary study the total number of micro and small enterprises borrowers OCSSCO in Jimma Zone total were 13731. Based on this information, samples were taken from micro and small enterprises borrowers from the top four most dominant branches. So, sample size determination was done using the finite population correction factor formula as follows:

$$n = z^2 pq/E^2$$

To determine the sample size in estimating the mean or the proportion, (CochranW.G., 1997) (.R., 1999)

Where:

n = proposed sample respondents

$\mathbf{Z}^2$ = Level of confidence interval at 95%; i.e. ~1.96

p= Estimated proportion of sample defaulters

q= Estimated proportion of sample non-defaulters

$\mathbf{E}^2$ = Standard Error

$n = (1.96^2 0.5 * 0.5)/(0.05^2) = 384$.

Since the population was heterogeneous and large, to address each branch's respondent and to collect real information the researcher have selected the four most dominant branches who have the largest numbers of client as a zonal level and this reduces time and cost. The researcher used the correction method as the best sample size determination. Considering the population correction factor.

Table 2: Branches selected for this study based on the number of clients outreach as follow:

S.N.	Wereda Branches	Number Of MSE	No. of MSE members Served			Percentage of MSE members Served	Total Sample Size	Sample Proportio
			Male	Female	Total			
1	O/Nada	248	1100	278	1378	32.86%	352	116
2	JMFS	259	744	451	1195	28.50%	352	100
3	S/Chekorsa	182	646	174	820	19.56%	352	69
4	K/Jimma	161	661	139	800	19.07%	352	67
	Total	850	3151	1042	4193	100%		352

Source: OCSSCO in Jimma zone branches third Quarter report for the year ended 2019

Based on the sample size each member of the sample will be selected proportionally from the population for the research purpose. The sample size was as follows:

$$n = \frac{no}{1 + {no}/{N}} \qquad n = \frac{4193}{1 + {4193}/{13731}} = 352$$

(To determine sample size of finite population correction factor formula, Kothari, 1996 and Cochran .W.G., 1997).

$$n1 = \frac{n(N1)}{N} \qquad n2 = \frac{n(N2)}{N} \qquad n3 = \frac{n(N3)}{N} \quad \& \quad n4 = \frac{n(N4)}{N}$$

(Sample Size determination of four branches proportion of Kothari,1999, Cochran, W.G., 1997)

Where

$n1$ = sample size from branch one and, N_1= total population size in branch one

$n2$ = sample size from branch two and, N_2= total population size in branch two

$n3$ = sample size from branch three and, N_3= total population size in branch three

$n4$ = sample size from branch four and, N_4= total population size in branch four

N =Total population size which proposes for sample

Sample size determination was taken as for OCSSCO branches proportional allocation of branch one, branch two, branch three, and branch four.

$$n1 = \frac{n(N1)}{N} \quad n1 = \frac{352*1378}{4193}, \; n1 = 115.68(116)$$

$$n2 = \frac{n(N2)}{N} \quad n = \frac{352*1195}{4193}, n2 = 100.31(100)$$

$$n3 = \frac{n(N3)}{N} \quad n = \frac{352*820}{4193}, n3 = 68.83(69)$$

$$n4 = \frac{n(N4)}{N} \quad n = \frac{352*800}{4193}, n3 = 67.10(67)$$

Generally as to Salant and Dillman (1994) in deciding sample, they were determined three various reasons that should be included i.e. character of inhabitants, kind of sampling plan and extent of accuracy preferred. According to the study the total target population of the study area are 4193 which cover above 30% of total population of the study area the four larges branches have been selected purposively, and the total sample borrowers were 352 taken from the four branches proportionally.

3.5 Data analysis and estimation techniques

The data analysis done after all the relevant data have been gathered from the respondents. Quantitative data were collected, entered and coded into a computer and analyzed using SPSS Version 21.0 statistical software for windows. Errors related to inconsistency of data checked and corrected during data cleaning. The empirical analysis of the study was conducted using descriptive explanatory, statistics and econometric regression model. Discussion based on descriptive statistics was made by using measures like percentages, tables; chi-square were used for comparing the loan repayment performance with in various explanatory variables. The econometric regression model was applied for analyzing the data based on binary logistic model that deal with the loan repayment performance of MSEs borrowers predicted by explanatory variables included in this study.

Descriptive, explanatory and econometric methods were used for data analysis, descriptive analysis approach was employed to analyze the primary sample data collected from each sample borrowers, lending institutes officers and other sources. This method was also used to explain the observed

reflection of borrowers. Data collected using questionnaire was analyzed by descriptive statistics, frequency distribution, proportions through cross tabulations and statistical The results were presented in Cross-tabulation like, frequency, proportion or number, and percentages. Those data which is collected from the target samples were statistically tested using the t-test, & chi-square tests. Data collected from the interview and reviews of documents were interpreted qualitatively.

Annual loan repayment performance is a dependent variable, and measured weather it is affected by different independent variable like borrowers related characteristic, loan related characteristic, business related characteristics, technical & policy support related characteristics and economic & cultural related characteristics were considered as independent variables. The status of loan repayment performance has been treated as a dichotomous response variable by taking 0 for Defaulter and 1 for the Non-defaulter of borrowers.

The econometrics analysis, the binary logistic regression model were employed to determine the significance of the independent variables in explaining the loan repayment performance of borrowers of SMEs which financed by MFIs (OCSSCO). The probability values and the significance level of each explanatory variable to affecting the dependent variable was explained and analyzed. Moreover, the econometric regressions between the dependent and independent variables were estimated and analyzed using the models specified for this purpose.

Econometrics models on multivariable analysis were conducted by using binary logistic regression. Binary logistic Regression is a method used when there are two variable outcomes is expected.

Therefore, the annual loan repayment performance treated as dichotomous dependent variable. Accordingly, t-test and chi-square test have been used to compare the Loan repayment performance of MSEs borrowers with independent variables. The chi-square (X^2) test is the only significance test that can be used with nominal data.

As the response variable was dichotomous, Logit model has been employed as recommended by numerous studies for its manageability, cleanness (Field, 2009).

In this study MSE borrowers are assumed to be either Default or Not. Hence the choice binary logistic regression model that assumes dichotomous dependent variable which takes either 0 or 1 value depending on $Y*$ is used. Therefore, 0 indicates for Defaulter and 1 indicate for Non default.

While specifying the allocation of the model, the steps followed by (Gujarati, 2003) were considered and the joint effects of all explanatory variables put together on the odd (Hosmer, 1989) is which is provided below:

$$odds = \frac{p}{1-p} = ea + B1X1 + B2X2 = \cdots \dots \dots \dots \dots BPXP \dots \dots \dots \dots \dots \dots \dots \dots \dots 1$$

Taking the logarithms of both sides

$$Log = \frac{P}{1-P} Loga + B1X1 + B2X2 + \cdots \dots \dots BPXP \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots 2$$

$$Y = LogitP = a + B1X1 + B2X2 \dots \dots \dots \dots .. BPXP \dots \dots \dots \dots \dots \dots \dots \dots . 3$$

The coefficients $B1, B2, Bp$ are such that the sums of the squared distance between the observed and predicted values (i.e. regression line) are smallest.

If the error term (ε) is taken in to account, the logistic regression model becomes

$$Y = a + \sum_{i=1}^{k} \beta 1X1 + \varepsilon i \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots 4$$

The influence of the repayment performance of borrowers' model were analyzed by using logistic The unknown parameters s ' β are estimated by LRP function (equation 4) regression model.

$LRP \ of \ borrowers = f$ (borrowers related characteristics, loan related characteristics, business related characteristics, technical & policy support related characteristics and economic & cultural related characteristics).

In specific form, equations 4 into equation 5

$$LogLRPi = a0 + B1BORC1 + B2LRC2 + B3BC3 + B4ECRC4 + B5TPSC5 + E.\dots\dots 5$$

$Where$: $LRPi$ = Loan Repayment Performance respondent response of borrowers dependent variables.

ao = is a constant, total the LRP when every explanatory variables are zero.

$\beta 1 - 5$ = is the coefficient to be estimated, the factor every marginal alter in explanatory variables on the LRP of borrowers correspondingly.

εi = is the error term.

From the binary logistic regression model analysis above the core factors which affect the LRP of borrowers are shown as below:

LRP = Is the annual loan repayment performance of borrowers substituted by respondent rate.

BOC_1 = Borrowers related characteristics,

LRC_2 = Loan related characteristics,

BRC_3 = Business related characteristics

$EPCC_4$ = Technical support related characteristics and

$TPSC_5$ = Economic & cultural related characteristics

3.6 Model Specification

The model employed in this thesis was binary logistic regression model that has been dichotomous of loan repayment performance.

Hypothesis testing test procedure:-

Ho: there is no association between the dependent and the explanatory variable

Ha: there is association between the dependent and the explanatory variable

Decision rule:

When $p - value$ less than the significant level Ho is rejected.

3.7. Definition of Variable and hypothesis

This section looked the hypothesized different characteristics Regarding the loan repayment performance of borrowers, The dependent variable is annual loan repayment performance, and the independent variables that are expected to affect the borrowers" repayment performance were selected based on previous empirical studies, economic theories and observations on the subject.

Several studies have been conducted in many countries by different authors. Accordingly, loan repayment performance is affected by a number of factors expressed by client characteristics, business characteristics, and lender or loan characteristics. While some of the factors positively affect the loan repayment, the other factors are negatively affecting the repayment rate. This study analysis focused on a number of specific factors. The borrower's related characteristics, loan related characteristics, business related characteristics, technical & policy support related characteristics and economic & cultural related characteristics. The following dependent and independent variables were identified to discriminate between Defaulters and Non defaulters. Accordingly, the variables and their measurements are presented as follow:

Dependent variable:

The dependent variable is annual loan repayment performance.

The Independent variables:

The independent variables that are expected to influence the Loan repayment performance of borrowers were selected based on theories and observations on the subject. In addition, efforts have been made to incorporate some factors, which were expected to be feasible and relevant to the loan repayment performance of Micro and Small Enterprises borrowers.

1. **Age**: Some researchers have taken the ages of the borrowers as a variable that can affect the repayment performance of borrowers. Accordingly (et. al., 2003) cited in (et. al., 2016) have revealed that the more youngsters the age of the borrowers the less the repayment recovery rates achieved by the lending institutes; that means the more the aged group borrowers can take the responsibility of being liable and creditworthy than that of the youngsters. (Dula A., 2012) Also hypothesized the variable that it affect repayment in the borrowers acquire experience, knowledge

of the loan use and accumulate wealth through time which will enable borrowers to effect repayment than younger borrowers. Similarly, the more the older and aged the borrower groups are the more likely they are creditworthy borrowers that have better repayment performances while the young borrowers are more likely to be defaulter borrowers as per (et. al., 2011) cited in (et. al., 2016). Based on the above studies the study can predetermine the signs of the variable to influence the repayment performances.

2. **Gender**: This research considers the gender characteristics of the borrowing groups as an explaining factor to evaluate how the gender probably determines the repayment status of the borrowers. As (Berhanu A. , 2005) cited by (et. al., 2003), it was argued that female borrowers are more creditworthy than that of male borrowers. The assumption was females took great obligations and sense of responsibilities while managing their households. This study also intends to see the magnitude of these gender characteristics in the cases of MSEs borrowers and individual business loan borrowers. The expected signs of this gender characteristic groups to the dependent variable could not still pre-determined. Also there is a belief that among many microfinance specialists female are better payers" than male borrowers, taking in to consideration their being more entrepreneurial that results from assuming more responsibilities in the internal affairs of a household. Moreover, (Vigano, 1993) In addition, mostly females are reliable in related to financial aspects. Thus, they can perform their business independently and repay their loan on time. So, the study expects a positive sign for this variable.

3. **Income from other sources**: Borrowers with some diversified income sources can make repayment performances more successful. An increase in another source of income earned by borrowers might have the possibility that loan could probably repay by respective borrowers on time (Abreham Garomsa., 2016). Thus, this variable might have an expected value with positive signs to explain the probability of being non-defaulter.

4. **Loan size sufficient**: According to (et. al., 2016), this refers to the average loan size that the lending institutes approved to the borrowers business appraisals. As it was revealed by some researchers, this factor can negatively or positively affect the repayment performance of borrowers.

The assumption is that the more the sufficient loan amount disbursed to the requesters the more they can finance the proposed business and the more they can succeed the business profitably. On

the other hand, the less approved loan size below the proposed business plan to the borrower, the higher the possible difficulties they can face while running the business due to the insufficiency of funds available by the lending institutes. On the contrary, the excess loan size approval to the ambitious loan amount requested by borrowers may have imposed the burdensome liabilities on the shoulder of the borrowers. Accordingly, the sign of the coefficient cannot pre-determined by the researcher.

5. Monitoring Each Other: This refers to the probability of each member in a borrowing enterprise members attempt monitoring the loan utilization statuses of others. As the monitoring for the utilization of the credit for the intended purpose increases, the probability of loan defaulting by enterprise members can be minimized. Thus, the coefficient sign is expected.

6. Loan Utilization or Loan Diversion: Refers to how the borrowers of the lending institutes utilized the loan amounts for the pre-intended business plan based on the loan agreement they are binding to Some borrowers utilize the loan for some unintended projects that is termed as project diversion. As it is described in the definition of the terms, there are possible causes for the borrowers to use the proceeds received for some other activities. Loan diversion for some activities that can generate better profits could positively affect the repayment performance of borrowers. On the other hand, the utilization of loan diversion that cannot generate returns may negatively affect the repayment performance of borrowers. Accordingly, the expected sign for this variable cannot be pre-determined.

7. Credit Timelines (Timeliness of loan released) : This refers to the time lapse that taken from the borrowers screening process to the credit delivery time by the lending institutes. From the fact that some borrowers businesses have seasonal basis nature, the longer time passes by the lending institutes to process the credit can significantly affect the successfulness of that particular business and hence affects the repayment performance of that particular borrower. The assumption is that the more the fastest the credit service is the more the borrower can utilize the loan for the intended business plan timely and the more the credit would be settled on time profitably. A positive sign is expected for this variable (et, al. 2016).

8. **Loan Repayment Schedule suitability**: The repayment period suitability for borrowers after the loan disbursement enables the borrowers to have sufficient working capitals that they can run their businesses profitably. Accordingly, the expected sign for this variable is positive.

9. **Repayment schedule**: Refers to the frequency of borrowers repayment intervals on monthly (Regular) basis or borrowers repayment trends on irregular time intervals. Most Microfinance institutions usually set the regular repayment schedules to be effected on monthly basis. The more frequent the repayment trends experienced by the borrowers, the better repayment performances to be attained by the microfinance institutions. Accordingly, a positive sign is expected to affect the repayment performance of borrowers (et. al., 2016). Even though, some borrowers' arbitrary repays the loan on an irregular basis which leads to passing dues. The more time lags in repayment trends experienced by the borrowers, the less probability of better repayment performances to be attained by the microfinance institutions. Accordingly, a negative sign is expected to affect the repayment performance of borrowers.

10. Business Experience: Borrower who has experience would develop a reputation and might demonstrate creditworthiness and become trustworthy. On the other hand, the less they have experienced the highest the probability of being defaulters they are. Moreover, they may develop skills on how to allocate resources and adopt simple business plans. Therefore, experienced borrowers may settle their debt on time and may positively affect the loan repayment performance (Dula Abebe., 2012).

10. Technology Adoption: Today businesses equipped with advanced technology do have a high probability of success. Enterprises and individual entrepreneurs who have employed a modern technology while running their respective businesses could have a high possibility of success which in turn enables them to repay the loan timely. On the contrary, borrowers who have not employed the best technology could earn less profit as compared to others. The variable is expected to have a positive sign to explain the probability of being non-defaulters.

11. Keeping a Book of records: This refers to borrower's trends of recording the financial transaction to the book of records to monitor and evaluate the profitability and financial position of their respective businesses. The borrowers who manage their expenses and revenues, as well as

cash flows, could probably better monitor their loan repayment status than none. Hence, a positive sign is expected

12. Provision of Training: Borrowers who are equipped with relevant training and skill developments can effectively manage and monitor the day to day operations of their business. Training has an indispensable contribution to the borrower's business success. Training enables the borrower to expand and effectively run the existing business or enhance their capacity of engaging in the new businesses. However, untrained borrowers may change his/her original business without considering worthiness of the business and they may divert the loan to unintended purposes. Training contributes to good credit performance and lack of training on the business plan may result in poor repayment performance. Therefore, delivering an adequate and sufficient training to all borrowers in a consistent manner may increase the repayment performance of borrowers. Accordingly, a positive sign is expected for this variable.

13. **Supportive supervision**: Refers to the lending institutes officers' visits to the clients business to monitor the effective utilization of the loan for the intended purpose. Supervision is depend on whether it is regular or irregular it has its own effect on the repayment performance. The more frequent the visits and supervision to the client's business territory might help the borrower to utilize the loan for the intended purpose only. Furthermore, the visits to target borrowers will help in identifying the loops that face the borrowers either technically or financially in order to minimize the risks suffer from defaults. Accordingly, it is expected to have positive effects on the probability of borrowers being creditworthy. But time gaps between the first visits and the second round visits irregularly or more than the standard visit time which is mostly beyond one month might have a considerable effect on the loan utilization of borrowers which leads for loan diversion to the unintended project purposes. Accordingly, it is expected to have a negative effect on the probability of borrowers being creditworthy (et. al., 2016)

.**15. Price inflation :** This refers the and price inflation on the performance of borrowers repayment their loans. As different studies suggests that inflation in Ethiopia can highly affecting the overall economic survival of individuals and has a negative effects on the economic activities of individual business and individual borrowing repayment performance.

16. socio-cultural Situations: socio cultural influence refers to the effect or the influence of social life, the attitude**,** and custom value which affecting the individual's work ethics and saving activities it may affect negatively or positively over individual or institutional economics situation.

According to (et. al, 2016) the Loan repayment status of each individual sample borrowers of observation is defined as a dependent variable. The Loan repayment is the dichotomous variable valued with either 0 or 1; meaning the loan repayment status of the borrower have the probability of being valued as either 0 or 1; such that value 1, if the respondent is creditworthy borrower the loan and otherwise 0, if the borrower is defaulter. According to different studies as proposed the default rate are hither as compered to the annual loan repayment performance. So this study hypnotized that defaulters are higher than non-defaulters.

The response variable is the borrowers repayment performance of MSEs it is measured by both the controlling variables and external business environments such as age, gender, level of education, experience of owner/ manager or other member of enterprise and external business environment such as , inflation socio cultural, proper training and loan criteria of MFIs etc. (Mesele Kebede., 2016 , 2014;Nguta a, 2013;Dula, 2012).

   The variables have been designed for some factors as follows:
➢ **LRP** : The value of repayment status of the borrowers (i.e. either 1 if creditworthy borrower otherwise 0, if defaulter)
➢ **Age (AGE):** is a discrete variable that valued 1, if the respondent is in the category of young (20-29), otherwise, 0, if adult (30 and above that)
➢ **Gender (GENDER)**: Gender categories of the sample respondents. (1 = if Female, otherwise 0= if Male).
➢ **Income from Another source (*INCMOS*)**: Income generated from other sources value
   0 =if sample borrowers do not have another source of income, otherwise 1=, if borrowers have another income sources other than income generated from credit scheme.
➢ **Loan Size Sufficiency (LONSZSU):** The loan amounts disbursed to the respective borrowers based on their work plan.(Valued= 0, if loan size did not sufficient, otherwise, =1 if sufficient.)

- **Members monitor each other (*MONECHO*):** Measures how members of Enterprise borrowers are more likely monitor one another about the effective and efficient utilization of the credit to the intended purposes (1,= if members monitor each other, otherwise = 0).

- **Loan diversion *(LONDIVR)*:** Used the proceeds received as loan either fully or partially for the intended purpose only (0,= if diverted otherwise,= 1).

- **Loan Disbursement Timeliness (LONTIML):** The appropriateness of loan release by the lending institutes on time (1=, if credit has been received on time, otherwise= 0).

- **Repayment schedule suitability *(RPSCSUIT):*** Valued 0, if borrowers assumed repayment time is not suitable, otherwise, 1 if suitable.

- **Repayment schedule Frequency *(RPSCEFRQ):*** Valued 1=, if borrowers did experience repayment on monthly base regularly and 0= if borrowers didn't experience monthly base or if they experience irregularly at any time applicable(weekly, quarter of a year or other).

- **Business Experience (BUSEXP):** Valued= 0, if sample borrower does not have relevant business experience, otherwise= 1, if applicable.

- **Technology Adoption (TECHADP):** Measures Borrower's advancement in manipulating technologies if it is applicable to the business while running their businesses (1=, if applied otherwise= 0).

- **Bookkeeping (BOOKK):** Value =0, if borrowers didn't keep a book of records, otherwise, =1 if applicable.

- **Training Adequacy (TRADQU):** Provision of adequate training by the lending institutes and other concerned bodies (valued = 0, if borrowers didn't get any training, otherwise= 1 if applicable).

- **Supervision and Support *(SUPASUP):*** Value 1, if borrowers have been supervised and supported by Lenders otherwise 0= if borrowers did not supervised and supported at any time or no follow up of supervisions to their business area.

- **Price Inflation (PRINF):** Value= 0, if borrowers did not affected by price inflation, otherwise, 1= if his or her performance is affected by price inflation.

- **Social life (SCLI):** Value= 0, if borrowers performance did not affected by Social life, otherwise =1 if his or her performance is affected by Social life.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

The questionnaires were distributed to 352 borrowers of the MFI's (OCCICO) based on the sample size. Among those distributed questionnaires 331 questionnaires were returned while 21 questionnaires were not returned or rejected during the data coding because of the vague answers were given by the respondents.

4.1 Borrowers related characteristics

4.1.1 Age

Table: 3: Cross-tabulation of borrowers response on Status of LRP Vs. Age

			Age		
			Adult age	Young age	Total
Status of LRP	Defaulter	Count	85	102	187
		% within Status of LRP	45.5%	54.5%	100.0%
	Not defaulter	Count	112	32	144
		% within Status of LRP	77.8%	22.2%	100.0%
Total		Count	197	134	331
		% within Status of LRP	59.5%	40.5%	100.0%

Source: Survey Result

The cross tabulation shown in Table-3 indicates that the loan repayment performance of borrowers aged in youngster groups which cover 102 (54.5%) of the total young respondents was the loan defaulter while the remaining 32 (22.2%) of the total young borrowers were Non-defaulter borrowers. On the other hand, 85 (45.5%) of the total adult borrowers were the credit defaulters while 112 (77.8%) of adult respondents were Non-defaulter borrowers. Defaulters represent the majority relative to Non-defaulters in youngster grouped sample borrowers.

4.1.2. Gender

Table 4: Cross-tabulation of borrowers response on Status of LRP Vs. Gender

| | | | Gender | | |
			Male	Female	Total
Status of LRP	Defaulter	Count	106	81	187
		% within Status of LRP	56.7%	43.3%	100.0%
	Not defaulter	Count	62	82	144
		% within Status of LRP	43.1%	56.9%	100.0%
Total		Count	168	163	331
		% within Status of LRP	50.8%	49.2%	100.0%

Source: Survey Result

As can be seen above table-4, shows in relation to gender assessment, from the total sample respondents, 168 (50.8%) of them were females while the remaining 163 (49.2%) of them were male. Cross-tabulation of sex with loan repayment performance, which is being Non-defaulter or Defaulter, showed that 81 (43.3%) of female respondents were defaulter while 106(56.7%) of male respondents were defaulters, that means 82(56.9%) of female and 62(43.1%) of male respondents were respectively Non-defaulter borrowers. The figure shows that male respondent borrowers relatively have less repayment performance than female. The factor is significant at 1% (Chi^2=6.05) in influencing loan repayment performance.

4.1.3 Income

Table 5 : Cross-tab of borrowers response on Status of LRP Vs. Income from other Source

			Do you have another source of income?		
			No	Yes	Total
Status of LRP	Defaulter	Count	128	59	187
		% within Status of LRP	68.4%	31.6%	100.0%
	Not defaulter	Count	28	116	144
		% within Status of LRP	19.4%	80.6%	100.0%
Total		Count	156	175	331
		% within Status of LRP	47.1%	52.9%	100.0%

Source: Survey Result

Based on the response of the sample respondents, 175(52.9%) of the sample respondents had income from other sources while 156(47.1) of the respondents did not have any other source of income. The above Table-5 also shows that from 156 borrowers haven't any income from other sources, 128(68.4%) are defaulter while the remaining 28(19.4%) were Non-defaulters. On another hand, 116(80.%) of the non-default borrowers have a source of income other than the business from loan proceeds and the remaining 59(31.6%) have a source of income was defaulter which was Non-defaulter represent the majority relative to default borrowers having income from another source. That means that borrowers which have not income from other source their repayment performance is low. The factor is significant at 1% (Chi^2=74.52) in influencing loan repayment performance.

4.2 Loan related characteristics

In this sub-section, the loan related factors that can affect repayment performance of borrowers have been analyzed and presented as follows.

4.2.1. Loan size

Table 6: Cross-tab of borrowers response on Status of LRP Vs. Loan size Sufficiency

			Loan sufficiency		
			No	Yes	Total
Status of LRP	Defaulter	Count	79	108	187
		% within Status of LRP	42.2%	57.8%	100.0%
	Not defaulter	Count	44	100	144
		% within Status of LRP	30.6%	69.4%	100.0%
Total		Count	123	208	331
		% within Status of LRP	37.2%	62.8%	100.0%

Source: Survey Result

As presented in the above table-6, 123 (37.3 %) of the respondents respond the amount received as loan proceed was not sufficient or it's not similar to their intended request, which means the remaining 208 (62.8 %)of respondents of the total respondent responded the amount received was sufficient and/or similar to their requests.

Among those found the loan received was not sufficient, most of them 79 (42.2 %) were found to be defaulters while only 44 (30.6 %) of them were Non-defaulter. On the other hand, among those who said the loan received was sufficient, 108 (57.8 %) of them were defaulters while 100 (69.4 %) of them were a Non-defaulter. This result shows from the total borrowers the majority of the defaulters are grouped under the individuals which received insufficient funds.

4.2.2. Peers monitoring

Table 7: Cross-tab of borrowers response on Status of LRP Vs. monitor each other

			Do you try to monitor each other with your member?		Total
			No	Yes	
Status of LRP	Defaulter	Count	65	122	187
		% within Status of LRP	34.8%	65.2%	100.0%
	Not defaulter	Count	10	134	144
		% within Status of LRP	6.9%	93.1%	100.0%
Total		Count	75	256	331
		% within Status of LRP	22.7%	77.3%	100.0%

Source: Survey result

In the above table-7 shows that from the total sample 256 (43.8%) respondents did monitor each of the members in their enterprise, while 75 (22.7%) respondents did not monitor each other of the members in their respective enterprise.

Based on loan repayment performance, out of 75 respondents of those who did not monitor all or most of the members 65,(34.8%) and 10,(6.9%) were defaulters and Non-default respectively. In line with this, out of 256 respondents of those who did monitor almost of the members 122 (65.2%) and 134 (93.1%) were defaulters and Non-default respectively. The default rate is higher for respondents who didn't monitor each other relative to those who did monitor all (most) of the members of their enterprise.

4.2.3 Loan utilization

Table 8:Cross-tab of borrowers' response on Status of LRP Vs. Utilization of loan for its purpose

			Utilization of loan for its purpose		
			No	Yes	Total
Status of LRP	Defaulter	Count	103	84	187
		% within Status of LRP	55.1%	44.9%	100.0%
	Not defaulter	Count	36	108	144
		% within Status of LRP	25.0%	75.0%	100.0%
Total		Count	139	192	331
		% within Status of LRP	42.0%	58.0%	100.0%

Source: Survey result

In the above table-8 shows that from the total sample 192 (58.0 %) respondents did replied the fund was utilized for their intended purpose while 139 (42.0%) were responded loan was not utilized for its intended purpose. Based on loan repayment performance, out of 192 (58.0%) respondents did replied the fund was utilized for their intended purpose 84(44.9%) and 108(75.0%) were defaulters and Non-default respectively. In line with this, out of 139 (42.0%) respondents who said the fund was not utilized for their purpose, 103 (55.1%) and 36 (25.0%) were defaulters and Non-default respectively. The default rate is higher for respondents who did not used for its intended purpose relative to those who utilized for its objective. The factor is significant at 1% (Chi^2=32.73) in influencing loan repayment performance.

4.2.4 Credit timeless

Table 9: Cross-tab of borrowers' response on Status of LRP Vs. Credit timeliness

			Was the loan issued on time?		Total
			No	Yes	
Status of LRP	Defaulter	Count	113	74	187
		% within Status of LRP	60.4%	39.6%	100.0%
	Not defaulter	Count	42	102	144
		% within Status of LRP	29.2%	70.8%	100.0%
Total		Count	155	176	331
		% within Status of LRP	46.8%	53.2%	100.0%

Source: Survey Result

Data were collected to identify whether the loan was issued to the respondent timely or not. Accordingly, the response of the sample shown in table-9 that, 155 (46.8%) respondents of the total sample respondents were reported that the loan was issued on time; while for the remaining 176(53.2 %) respondents were replied not issued on time.

The cross-tabulation of the above table-10 shows, From those respondents who said the loan is issued timely,74 (39.6%) is the defaulter while the remaining 102 (70.8%) is non-defaulter and from those respondents who said the loan is not issued timely,113(60.4%) is the defaulter while the remaining 42 (29.2%) is non-defaulter. Despite the defaulter rate is high in the category which said loan is not issued on time that means borrowers received fund on time have high repayment performance, the default rate is greater in the respondent's response "no" not timely issued relative. The factor is significant at 1% (Chi^2=31.93) in influencing loan repayment performance.

4.2.5 Repayment Suit

*Table 10: Cross-tab of borrower's response on Status of LRP * Repayment period suitability*

			Repayment period suitability		
			No	Yes	Total
Status of LRP	Defaulter	Count	147	40	187
		% within Status of LRP	78.6%	21.4%	100.0%
	Not defaulter	Count	18	126	144
		% within Status of LRP	12.5%	87.5%	100.0%
Total		Count	165	166	331
		% within Status of LRP	49.8%	50.2%	100.0%

Source: Survey result

As it is shown in the above table-10, question forwarded to assess the suitability of the repayment schedule based on the borrowers response whether the repayment schedule is suitable or not. The cross tabulation result shows from 331, 166 (50.2%) said the repayment schedule is suitable while the remaining 165(53.8%) was said the repayment schedule is not suitable. From those who said the schedule is not suitable 147 (78.2%) was a defaulter and the remaining 18(12.5%) were not-defaulter. Contrary to these, those said the repayment schedule is suitable the majority which covers 126 (87.5%) borrowers are a non-defaulter, while the remaining 40(21.4%) were a defaulter.

Accordingly, the defaulters are high in the borrower groups who didn't agree on the suitability of the repayment schedule relative to the borrower groups who agreed the repayment schedule is suitable. The factor is significant at 1% (Chi^2=142.22) in influencing loan repayment performance.

4.3 Business related characteristics

4.3.1 Business experience

Table 11: Cross-tabulation of borrowers response on Status of LRP Vs. Business experience

			Do you have similar business experience?		
			No	Yes	Total
Status of LRP	Defaulter	Count	138	49	187
		% within Status of LRP	73.8%	26.2%	100.0%
	Not defaulter	Count	26	118	144
		% within Status of LRP	18.1%	81.9%	100.0%
Total		Count	164	167	331
		% within Status of LRP	49.5%	50.5%	100.0%

Source: Survey result

Business experience before the credit scheme was considered in this research and the response of the respondents shown in the above table-11 that 167(50.5) respondents said that "yes" we had relevant business experience before the credit scheme, while the remaining 164 (49.5%) respondents replied "No" we did not have any relevant business experiences before the credit scheme. Among the sample borrowers who had a relevant experience, 4 (26.2%) of them is credit defaulter while the remaining with large difference, 118 (81.9 %) non-defaulter with experience. In the other case, among the sample borrowers who didn't have relevant experience before the credit scheme, the higher percentage which represents 138 (73.8%) of them are defaulter while the remaining 26 (18.1%) were non-defaulter with no experience.

Accordingly, the default rate is higher for borrowers who didn't have relevant work experience relative to the borrowers who had relevant work experience. Which means that relevant work

experience increases the repayment performance of individuals. The factor is significant at 1% $(Chi^2=101.11)$ in influencing loan repayment performance.

4.3.2 Technology adoption

Table 12:Cross-tab of borrowers response on Status of LRP Vs. adoption with new technology

			Adoption with new technology		
			No	Yes	Total
Status of LRP	Defaulter	Count	145	42	187
		% within Status of LRP	77.5%	22.5%	100.0%
	Not defaulter	Count	34	110	144
		% within Status of LRP	23.6%	76.4%	100.0%
Total		Count	179	152	331
		% within Status of LRP	54.1%	45.9%	100.0%

Source: Survey result

Adopting technology during running the business was assumed to be a major factor input that enables borrowers to get successful business which in turn could enhance borrower's repayment performances. Accordingly, 152 (45.9 %) of the valid respondents replied as they were adopting new technologies in running their business, while the majority 179(54.1%) of the respondents did not utilize the updated technologies to run their business.

According to the data collected from the sample respondents shown in the above table-12, from those who adopt technology for their businesses, 42 (22.5%) of them were defaulters while the others who are higher in percent, 110 (76.4%), were non-defaulter. But, from those who did not adopt technology in their business, the majority of 145 (77.5%) them were found as credit defaulter, while the remaining 34 (23.6%) which represents non-defaulter accordingly. There fore the default rate is higher in respondents who didn't adopt technology relative to those adopt technology in their business activity. The factor is significant at 1% $(Chi^2=95.27)$ in influencing loan repayment performance.

4.3.3 Keeping book of record

Table 13 : Cross-tabulation of borrowers response on Status of LRP Vs. Having any Book of record

			Do you have any Book of record?		Total
			No	Yes	
Status of LRP	Defaulter	Count	150	37	187
		% within Status of LRP	80.2%	19.8%	100.0%
	Not defaulter	Count	31	113	144
		% within Status of LRP	21.5%	78.5%	100.0%
Total		Count	181	150	331
		% within Status of LRP	54.7%	45.3%	100.0%

Source: survey result

According to the data collected from the sample respondents shown in the above table-13, from those who kept a book of records for their financial transactions, 37 (19.8%) of them were defaulters while the others who are higher in percent, 113 (78.5%), were non-defaulter. But, from those who did not have a book of records to handle their financial transactions, the majority or 150 (80.2%) of them were found as credit defaulters, while the remaining which represents 31(21.5%) was non-default. However, regardless of their repayment status the sample borrowers 150 (45.3%) experienced with keeping a book of record to evaluate the financial position and performances of their respective businesses and the remaing181 (54.7%) have no an experience of keeping of record. The factor is significant at 1% (Chi^2=113.0) in influencing loan repayment performance.

4.4 Lending institutes supervision and other supports

4.4.1 Loan utilization Supervision

Table 14 : Cross-tab of borrowers' response on Status of LRP Vs. Loan utilization Supervision.

			Have you ever supervised for Loan utilization?		
			No	Yes	Total
Status of LRP	Defaulter	Count	135	52	187
		% within Status of LRP	72.2%	27.8%	100.0%
	Not defaulter	Count	24	120	144
		% within Status of LRP	16.7%	83.3%	100.0%
Total		Count	159	172	331
		% within Status of LRP	48.0%	52.0%	100.0%

Source: Survey result

In order to ensure efficient utilization of the loan, loan utilization supervision by lenders have a vital use to control and manage their business and debt. According to the survey result, Out of the total respondents, 172 (52.0 %) of them had been supervised whereas 159(48.0%) of the borrowers were not supervised for loan utilization. From the total of the borrowers who disclosed that they were not supervised regarding their loan utilization 135 (72.2%) of them were defaulter whereas only 24 (16.7%) of them were creditworthy. And from the total of the borrowers who disclosed that they were supervised regarding their loan utilization 52 (27.8%) of them were defaulter whereas 120 (83.3%) of them were creditworthy. Therefor, missing the supervision have a negative effect on utilization performance of borrowers. The factor is significant at 1% (Chi^2=100.4) in influencing loan repayment performance.

4.4.2 Loan repayment supervision

Table 15 : Cross-tab of borrowers response on Status of LRP Vs. Loan repayment Supervision.

			Have you ever supervised for Loan repayment?		
			No	Yes	Total
Status of LRP	Defaulter	Count	123	64	187
		% within Status of LRP	65.8%	34.2%	100.0%
	Not defaulter	Count	20	124	144
		% within Status of LRP	13.9%	86.1%	100.0%
Total		Count	143	188	331
		% within Status of LRP	43.2%	56.8%	100.0%

Source: Survey result

It's also important to supervise the loan repayment in order to ensure loan repayment performance. According to the survey result, monitoring by the loan officers or branch managers at least once in a month was important. Out of the total respondents, 188 (56.8 %) of them had been supervised whereas 143 (43.2 %) of the borrowers were not supervised or monitored for loan repayment. From the total borrowers not supervised for loan repayment 123 (65.8 %) of them defaulters whereas only 20 (13.9 %) of the borrowers were creditworthy borrowers. But from borrowers who supervised 64 (34.2%) of them were defaulter and the majority 124 (86.1 %) of them were credit worthy. Therefor, supervision is very important for maximizing the performance of borrowers.

4.4.3 Training adequacy

Table16: Cross-tab of borrowers' response Status of LRP Vs. Provision of Training.

			Have you get an adequate Training?		
			No	Yes	Total
Status of LRP	Defaulter	Count	115	72	187
		% within Status of LRP	61.5%	38.5%	100.0%
	Not defaulter	Count	22	122	144
		% within Status of LRP	15.3%	84.7%	100.0%
Total		Count	137	194	331
		% within Status of LRP	41.4%	58.6%	100.0%

Source: survey Result

Almost majority of the respondents replied that they had got training. However, the borrower's perception of training adequacy differs. Accordingly, from the total 331 respondents, 194 (58.6%) respondents replied that they had got adequate training while the remaining 137 (41.4%) respondents replied that they didn't take adequate training. The loan repayment performance, from those who replied the training, is adequate 122 (84.7%) which represent non defaulter while the remaining 72(38.5%) defaulter, from those who replied the training, is not adequate 115 (61.5 %) is defaulter while the remaining 22(15.3%) is non defaulter. The default rate is higher in respondents who respond the training inadequate relative to in respondents who respond the training is adequate. Therefor, having an adequate training is important to perform the business successfully. The factor is significant at 1% (Chi^2=71.6) in influencing loan repayment performance.

4.5 Economic environment

4.5.1 Availability of market

Table 17: Cross-tab of borrower's response Status of LRP Vs. Status of market demand

			How is the status of market demand?			
			High	Medium	Low	Total
Status of LRP	Defaulter	Count	24	55	108	187
		% within Status of LRP	12.8%	29.4%	57.8%	100.0%
	Not defaulter	Count	87	42	15	144
		% within Status of LRP	60.4%	29.2%	10.4%	100.0%
Total		Count	111	97	123	331
		% within Status of LRP	33.5%	29.3%	37.2%	100.0%

Source: survey result

Market demand for products to consumers is considered as a major factor for borrowers to sale the end products to pay their loan on the proper time. Accordingly, the assessment shown in the above stated that from the total respondents of defaulter categories, 24,(12.8%) of them measured their product market demand as high, while 55 (29.4%) medium and 108 (57.8%) of them measured as low respectively. From those responding as having high market demand, or the majority 87, (60.4%) of the sample respondents were a non-defaulters, while those responding having medium market demand, were 42(29.2%) under non defaulter whereas the minority in the non-defaulter in the low market demand 15(10.4%) and found to be not-defaulters. Having high and low market demand for the end products are significantly affect the repayment performance of as shown in detail in the table-11.Generally the figure depicts that as the market demand increase the repayment performances of individual increase proportionally. The factor is significant at 1% (Chi^2=42.81) in influencing loan repayment performance.

4.5.2 Price inflation

Table 18: Cross-tab of borrower's response on Status of LRP Vs. Impact of price inflation

| | | | Do you think price inflation has an impact on your repayment performance? | | Total |
			No	Yes	
Status of LRP	Defaulter	Count	80	107	187
		% within Status of LRP	42.8%	57.2%	100.0%
	Not defaulter	Count	58	86	144
		% within Status of LRP	40.3%	59.7%	100.0%
Total		Count	138	193	331
		% within Status of LRP	41.7%	58.3%	100.0%

Source: Survey result

Price inflation is considered as a factor for borrowers to buy and sale the end products and to perform their business to repay their loan on the proper time. Accordingly, the assessment shown above stated that from the total respondents, 193, (58.3%) of them said price inflation have the impact on their business and credit performance, whereas 138 (41.7%) of them measured as replied no the inflations impact. From those responding as having an impact majority, 107 (57.2%) of sample respondents were a defaulters, and 86 (59.7%) were non-defaulters. From those responding inflation have no impact, were 80 (42.8%) and 58 (40.3%) were defaulters and non-defaulters respectively. Therefor, market price inflation are significantly affect the repayment performance of as shown in the above table.

4.5.3 Socio-cultural situation

Table 19: Cross-tab of borrowers response on Status of LRP Vs. Socio-cultural conditions.

			Do you think socio-cultural conditions affects your repayment performance?		
			No	Yes	Total
Status of LRP	Defaulter	Count	86	101	187
		% within Status of LRP	46.0%	54.0%	100.0%
	Not defaulter	Count	81	63	144
		% within Status of LRP	56.3%	43.8%	100.0%
Total		Count	167	164	331
		% within Status of LRP	50.5%	49.5%	100.0%

Source: Survey result

As table-16 shows, from the total, sample 164 (49.5%) respondents replied that socio cultural conditions have its impact on their repayment performance while 167 (50.2%) respondents said that have not impact on their repayment performance.

Based on loan repayment performance, out of 167(50.5%) which said impact 86(46.0%) and 81 (56.3%) were defaulters and non -defaulters respectively. Whereas respondents of those of 164 (49.5%) who said have the impact on their repayment performance 101,(54.0%) and 63 (43.8%) were defaulters and Non-default respectively. So the defaulter rate is higher under the borrowers who said socio-culture has an impact their business their social responsibility is less in and social life with the environments are very challenge creditworthiness and work and saving culture is low for those who are defaulter.

Interview Questions

In this part the analysis were carried out through narration in paragraph form based on the ideas themes through their similarities. These were the data obtained from the respondents interviewed OCSSCO institutions.

Sample MFI Staff

What factors other than those indicated in the questionnaires had seriously undermines your repayment performances?

The results of the interviews regarding OCSSCO's services show that MFIs also supply financial as well as non-financial services. Therefore, the interviews results discuss in the following ways below:

Operators and other stakeholders regarding the major reasons for low repayment performance of MSE loan. Accordingly, the reasons for low MSEs loan repayment rate were; from OCSSCO side, lack of proper follow up and controlling of the ongoing works of MSE operator's such as urging and enforcing the repayment on the agreed installments; from MSE operators' part, unwillingness of effecting the outstanding loans on the set schedules that means sense dependency has been growing as if it is the obligations of the guarantor; from MSE Agency and other MSE implementers, insufficient assistance on the strengthening the marketing efforts, production/service efforts and other technical assistance to MSE operators are the major ones.

Sample MFIs staffs:
What factors do you think that undermines the lending institutes' repayment recovery rates?

Furthermore, the researcher interviewed some MSE's borrowers the reason beyond to the problem of repayment performance other reasons for low repayment performance which are lack of proper management input for product and service, lack of willing and taking of responsibility for repaying and taking of commitment, absence of proper screening and organizing of clients, Wrong perception about the loan- considering it as aid, business failure, illness of the clients and unable to work - being illness, and Market problem (lack of working premises) or their cash flow does not match with repayment schedule), can be mentioned.

4.7 Result of econometrics analysis

In this section, econometric analysis was carried out in order to identify the most important and significant factors that affect the loan repayment performance of borrowers. For this analysis Binary logistic regression it using maximum likelihood estimation to estimate the parameters of the equation. As of the descriptive statistics information has indicate that there are many variables that affect the probability of a borrower being either a defaulter or non-defaulter. The section that follows is devoted to the discussion of the econometric analysis of the impact of those variables on the borrowers" decision to reimburse back their loan or not.

4.7.1 Chi-Square Test

Table 20: Chi-Square Test table

Variables	Value (Pearson Chi- Square) X^2	Dif.	Significance Level
Borrowers related	5.7	3	.073
Loan related	58.5	5	.000
Business Related	76.9	3	.000
Technical and Support Related	72.7	3	.000
Economic and cultural Related	55.5	2	.000

The relationship between the borrowers, loan related, business and other characteristics and loan repayment performance is examined by testing the stated hypotheses using X^2 (Pearson Chi-Square) test at 95% confidence interval.

There was a significant relationship between the borrowers, related characteristics (p=0.073<0.05), loan related characteristics (p=0.000<0.05), business related characteristics (p=0.000<0.05 , technical & policy support related characteristics (p=0.000< 0.05), and economic & cultural related characteristics (p=0.000<0.05) with the annual loan repayment performance.

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Therefore, accept the null hypotheses that the borrowers, related characteristics, loan related characteristics, business related characteristics, technical support related characteristics, and economic and cultural related characteristics affects the annual loan repayment performance (Table-21).

4.7.2 Multi-Co-Linearity test

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

Table 21: Multi-co-linearity of Pearson Correlations

Explanatory Variable	BORC	LRC	BURC	TSRC	ECRC
Borrowers related	1				
Loan related	.015	1			
Business Related	.067	.521	1		
Technical and Support Related	-.002	.525	.605	1	
Economic and cultural Related	-.021	.339[**]	.504	.399	1

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

A serious problem for Multi co-linearity is occurred if the correlation is about 0.8 or larger (Gujarati., 2003) The Multi-co-linearity of the explanatory variable are below 0.60 and it can be confident to say in this study, as shown in the above (Table:21) the correlation Matrix which is made among the independent variables reveal that the slight existence of Multi co-linearity problem. Multi co-linearity problem is occurred when the explanatory variables are highly

correlated with each other. In the correlation matrix it is indicated that there is no an evidence for Multi-co-linearity problem.

There is no significant Multi co-linearity problem since none of them are above the conventional 80 percent (Table: 21).

4.7.3. Model Goodness of Fit and Model summary

The key objective of this aspect of the study is to test the Factor affecting loan repayment performance of MSEs borrowers financed by MFIs. When the goodness of fitted test exposed to each of the five predictor variables are highly significant at the 5% level of significance (Table:22).

Table 22: Hosmer and Lemeshow Test

Step	Chi-square	Dif.	Sig.
1	76.078	8	.000

In this study, as shown in (Table:22) (Hosmer D. W., 1989) test summarized the results obtained for the expected to goodness of fitted equation. The exponential of loan repayment performance chi-square 0.76078 is high and significant at 5%. When compared with the critical Chi square at 5%, p-value is 0.76078 is greater than 0.05. In this case model of goodness of fit is good model then to reject the null hypothesis and accept the alternative hypothesis. Because the Chi-Square computed is higher than the critical Chi- square, to conclude that the five variables are significantly associated to the loan repayment performance of MSEs borrowers (et.al, 2009).

Table 23: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	102.792[a]	.653	.876

a. Estimation terminated at iteration number 7 because parameter estimates changed by less than .001.

Under Model Summary, as shown in (Table 23) that the -2 Log likelihood statistics is 102.792. This statistic measures how better the model predicts the decisions. i.e. the smaller the statistic the better the model. The Cox & Snell R^2 can be interpreted like in R^2 a multiple regression, but cannot reach a maximum value of 1. But, the (Nagelkerke, 1991) R^2 can reach a maximum of 1. So, looking the Nagelkerke, R Square =.876, about 87 % of the variation in response variable is explained by the explanatory variables. The rest about 0.13 % is left for random variation or error. This supported by (Nagelkerke N. J., 1991), suggested the subsequent adjustment (et. al, R^2_N) all of the measures differ in their computation conceptually they are somewhat the same. As a result, in terms of explanation they can be seen as similar to the R^2 in linear regression in that they provide a test of the substantive significance of the model (et.al, 2009)

4.7. 5 Binary Logistic Regression Analysis

The binary logistic regression is as the LRP of borrowers of MSEs is most strongly affected by five variables used for the LRP analysis. These five significant variables are borrowers related characteristics, loan related characteristics, business related characteristics, technical & policy support related characteristic and economic & cultural related characteristics. (Table-24)

Table 24 : Binary Logistic Regression of Variables in the Equation

$Step\ 1^a$	B	$S.E.$	$Wald$	$dif.$	$Sig.$	$Exp.(B)$	95% $C.l.for\ EXP(B)$	
							$Lower$	$Upper$
BORC	-2.995	1.008	8.826	1	.003	.050	.007	.361
LRC	2.594	1.245	4.340	1	.037	13.379	1.166	153.547
BURC	6.724	1.193	31.745	1	.000	831.868	80.217	8626.609
TSRC	4.342	.864	25.249	1	.000	76.870	14.132	418.122
ECRC	2.665	.760	12.307	1	.000	14.365	3.241	63.666
Constant	-8.149	1.233	43.690	1	.000	.000		

a. Variable(s) entered on step 1: BORC, LRC, BURC, TSRC, ECRC.
Source: Survey date *,the variables are significant at 1% and 5% respectively

In the regression, as shown in (Table: 24) we can express the relationship between annual loan repayment performance and the explanatory variables in different ways. The annual loan

repayment performance is affected by estimated odds logs of loan related characteristics, of MSEs by 2.594 units and express the same relationship in terms of odds ratio. We can take the exponential of 2.594 obtain 13.379. So Standard deviation of the annual loan repayment performance of borrowers shows nearly 13.4 times increasing pattern. Loan repayment performance also affected by estimated odds logs of business related characteristics, by 6.724 units and also express the same relationship in terms of odds ratio. So if we take the exponential of 6.724 obtain 831.86. Therefore, the Standard deviation of the annual LRP of borrowers shows nearly 831.86 times increasing pattern. Loan repayment performance also affected by estimated odds logs of technical support related characteristics by 4.342 units and also express the same relationship in terms of odds ratio. So if we take the exponential of 4.342 obtain 76.870. Therefore, the Standard deviation of the annual loan repayment performance of borrowers shows nearly 76.870 times increasing pattern. Furthermore loan repayment performance of borrowers affected by estimated odds logs of economic and cultural related characteristics of borrowers by 2.665 units and express same relationship in terms of odds ratio. We can take the exponential of 2.665 obtain 14.365. So standard deviation of the annual loan repayment performance of borrowers shows nearly 14.365 times increasing pattern.(Table 24)

Meanwhile the annual loan repayment performance affected by estimated odds logs of borrowers related characteristics of MSEs by -2.995 units. We can now also express the same relationship in terms of odds ratio. So if we take the exponential of -2.996 obtain 0.05. Therefore, the Standard deviation of the annual loan repayment performance of borrowers shows nearly 0.05 times decreasing pattern. i.e. as age and income from other source decrease by one unit loan repayment performance of borrowers decreases by 0.05 unit.(table:25).

The final model looks like the following:

$Log(Odds) = -8.149 + -2.995 * BORC + 2.594 * LRC + 6.724 * BURC + 4.342 * TSRC + 2.665 * ECRC$

Accordingly, it is important to identify the statistical significance of each explanatory variable. As shown in the regression table in the above, fifteen independent variables regressed in the model, under the coefficients of the explanatory variables and constant variable and were found to be statistically significant at 95 percent confidence level.

The explanatory variables such as BORC (Borrowers Related Characteristics'), LRC (Loan Related Characteristics'), BURC (Business Related Characteristics'), TSRC (Technical Support Related Characteristics'), and ECRC (Economic & Cultural related characteristics) are found to be statistically significant to affect annual loan repayment performance of borrowers.

The variables such as Age (AGE), Gender (GENDER), Income from Another source (INCMOS), Loan Size Sufficiency (LONSZSU), Members monitor each other (MONECHO), Loan diversion (LONDIVR), Loan Disbursement Timeliness (LONTIML), Repayment schedule suitability (RPSCSUIT), Repayment schedule Frequency (RPSCEFRQ), Business Experience (BUSEXP), Technology Adoption (TECHADP), Bookkeeping (BOOKK), Training Adequacy (TRADQU), Supervision & Support (SUPASUP) were found to positively affect the repayment performances at 1% significance level, while   Price Inflation (PRINF), Social life (SCLI) have been found as negatively influence the repayment performance of borrowers at 1% significance level.

Regarding the sign of the variables, all explanatory variables found to be significant in affecting loan repayment performance of MSE borrowers, and were coincided with the prior expectation.

Sex of the borrower (GENDER) was included as one variable to capture the gender dimension of the loan repayment performance. It was expected that being a female borrower lower the probability of being a defaulter. However, in fact those women having much burden in domestic responsibilities are empirically found to be more efficient and less extravagant than their male counterparts are. Our econometric result indicates that the log of the odds ratio of a defaulter to a non defaulter is lower for female borrowers as compared to male borrowers, with a significance level of 5% .In other words, female borrowers are less likely to be a defaulter and more likely to be a non-defaulter than male borrowers. And as the regression result shows that as age (AGE) of borrowers increase the credit worthiness of individuals are increasing. Therefore the elders were more likely less defaulters than the younger borrowers.

  Income from other sources (INCOS)-: Some borrowers may have other sources of income like income from employment other than the business the loan is taken for, remittance, pension payments etc. Hence, the existence of this variable may boost the probability of repaying of the loan being repaid on time. The result coincides with the theoretical reasoning that the availability

of other sources of income, or additional income from other sources, statistically significantly lowers the marginal probability of the borrower being a defaulter. Thus, a borrower running diversified business other than the business the loan is taken for or having transfer payments from some other sources are more of a non defaulter as compared to those who run only a single business.

According to the study findings as the monitoring for the utilization of the credit for the intended purpose increases, the probability of loan defaulting by enterprise members can be minimized. Thus, the variable MONECHO positively affect the loan repayments performance at 1% significance level.

Regarding the time lags that taken from the borrowers screening process to the credit delivery time by the lending institutes, the longer time passes by the lending institutes to process the credit can significantly influence the successfulness of that particular business and hence affects the repayment performance of that particular borrower. So the more the fastest the credit service is the more the borrower can utilize the loan for the intended business plan timely and the more the credit would be settled on time profitably. Thus, the variable LONTIML positively affect the loan repayment performance of the borrowers at 5% significance level.

 The Other significant factor that can influence the loan repayment performance is loan repayment schedule suitability. Accordingly, it's found that the repayment period suitability for borrowers after the loan disbursement enables the borrowers to have sufficient working capital so that they can run their businesses profitably and repay their loan on time. And also the frequency of borrowers' repayment intervals on monthly basis, the more frequent the repayment trends experienced by the borrowers, the better repayment performances to be attained by the microfinance institutions. Thus, both variables RPSCSUIT and RPSCMNTL positively affect the loan repayment performance of borrowers at 1% significance level.

 In supervision, the more frequent the visits and supervision to the client's business territory might help the borrower to utilize the loan for the intended purpose only. Furthermore, the visits to those target borrowers will help in identifying the loops that face the borrowers either technically or financially in order to minimize the risks suffer from defaults. Accordingly, the variable

supervision positively affect the probability of borrowers being creditworthy at 5% significance level.

The study also reveals that the borrowers who are equipped with relevant training, skill and developments of technology adoption and book of record can effectively manage and monitor the day to day operations of their business. Training has an indispensable contribution to the borrower's business success. Training enables the borrower to expand and effectively run the existing business or enhance their capacity of engaging in the new businesses. However, untrained borrowers may change his/her original business without considering worthiness of the business and they may divert the loan to unintended purposes. Training contributes to good credit performance and lack of training on the business plan, book of record and modern technology adoption may result in poor repayment performance. Therefore, delivering an adequate and sufficient training to all borrowers in a consistent manner may increase the repayment performance of borrowers. Thus, the variable training adequacy positively influences the repayment performances at 1% significance level.

Lastly when the amount of products, goods, and services increases, (price inflation) it is expected that the probability of its being repaid declines. The econometric result agree with the expectation with a coefficient and so it is negatively affect the borrowers repayment performance. In case of socio-cultural influence, the society socio-culture conditions are not initiate or appreciate saving culture, it is expected that the probability of its being repaid declines. The econometric result agree with the expectation with a coefficient and so it is negatively affect the borrowers repayment performance.

CHAPTER FIVE

SUMMERY, CONCLUSIONS, AND RECOMMENDATIONS

The chapter summarizes the overall findings and conclusions of the study withdrawing the possible recommendations to be addressed by the concerned bodies. Accordingly, the summary report will be presented below and followed with the conclusion and recommendations for lending institutes management and other stakeholders decision makings

5.1 Summary

Loan repayment performance is affected by a number of factors expressed by client characteristics, business characteristics, and lender characteristics. While some of the factors positively affect the loan repayment, the other factors are negatively affecting the repayment rate.

This study analysis focused on a number of specific factors which are categorized under borrowers related characteristics, loan related characteristics, business related characteristics technical & policy support related characteristics and economic & cultural related characteristics. Regarding the borrowers related characteristics, there are variables measured by age, Sex, and income from another source of gained by borrowers. Loan related characteristics are factors attributed to loan sufficiency, peers monitoring, loan utilization for its intended purpose, credit timelines, and repayment period suitability. Business characteristics, business experience, book of record, and technology adoption. Incase of technical support related, supervision and follow from the lender and giving of training from the lender which means loans officers, company attributes, MFIs policies, and objectives as well as the performance of work. And finally of economic & culture related market access, price inflation and social life.

The MFIs should be in a position to provide guidance to the stakeholders relating to loan processes and procedures for better repayment and overall portfolio performance. Effective lending procedures have far-reaching consequences on the loan repayment. The Borrowers' and Business characteristics relate to the nature of their business and performance in relation to the others in the environment. They include the age of business, technology adoption, location product and service input income, and profits generated from the business and other sources

book of record and etc. For instance, at higher levels of income, as businesses and individual level make some savings and purchase assets which can be used as loan securities. Such securities can be sold to repay loans. The control variables consist of the various operations that ensure the security of the loans such as proper market analysis, business screening and follow-up. Without effective mechanisms in place, loan defaults are inevitable and loan recovery might be a great challenge for microfinance institutions.

In light of this, the study was intended to extend its investigation on factors that possibly affect loan repayment performance of microfinance institutes MSEs borrowers that are operating in Oromia regional states Jimma zone. Accordingly, sample MSEs borrowers were selected based on Wereda branch office client outreaches. Accordingly, the Oromia Credit & Saving Share Company (OCSSCO) which is the sole provider of MSEs loan in the Zone was included as the study area. A total of 331 sample respondents were selected from respective of four Wereda branch offices. The samples were allocated to those wereda offices based on their respective MSEs client's outreaches proportional percentages.

In order to identify those relevant factors, primary data were collected from sample respondents. The descriptive analysis was employed to predict the effects of those independent variables to the loan repayment performances using the Cross tabulations and Chi-square test.

The study revealed that the proportion of female and male defaulters was found as male borrowers were relatively higher defaulters than that of female borrowers which is consistent with (et. al., 2003), (et. al., 2016) (et. al., 2012), and other finding. Borrower's ages with the age category of 30 and above had less likely to be defaulters than that of youngsters (less than 29) which is significant. It's also consistent with (et. al., 2011), (et. al., 2003), and (et. al., 2016) with study results. On the other hand, the loan utilization of other members within the enterprises' was observed as slightly higher monitoring actions were implemented by the defaulter to another member in their respective enterprise and significant. While a higher portion of the creditworthy borrowers conducts the monitoring activities. The numbers of the respondent have no other source of income before engaging in the credit schemes. While some others who have a diversified source of income have a higher probability of being creditworthy.

From the survey result again it was found that majority of sample borrowers which represent 62.8% were received an equivalent amount of loan requested. The repayment time set by the

lending institutes was more suitable for the number sample borrowers which represent 50.2% percent of the total sample respondents. Majority of the defaulting borrowers were from those borrowers responding the repayment schedule is not suitable. In other words, the higher portions of the creditworthy client were responding the repayment schedule is suitable.

The timeliness of loan disbursement was one of the study areas to be assessed. Accordingly, almost higher numbers of the samples were financed on time. Majority of the sample respondents were found defaulters of the loan. The highest portion of the sample respondents had received the requested loan fund that is sufficient enough to finance their respective projects. Based on the decision of diverting the loan from the intended project to another by the defaulters, the major reasoning for diverting the loan was found as the unstable market demand change to borrower's end product over time.

Provision of appropriate and sufficient training on relevant issues on the subject matter of financial service is very crucial to the success of microfinance activities. Accordingly, regardless of its training natures, above half percentage of sample borrowers had got the training provided by the institutions as well as sector training providers. In light of these, a higher number of the creditworthy borrowers had got adequate training, and supervised by their lenders regarding on loan utilization and loan repayment while on the contrary higher proportion of the defaulters was not trained and supervised very well. In regarding price inflation most of the defaulters are affected price inflation and socio cultural situation has not impact on their repayment performance that This indicate that there is poor or bad saving, and work ethics in the society.

Higher numbers of borrowers have faced the problem of unsuitable marketplace although higher numbers of sample borrowers have an accessible and sufficient input to run their businesses. Among the sample borrowers, the slightly higher number of borrowers had relevant business experiences. The proportional half numbers of sample defaulters have experienced a medium range of market demand to their end products. Moreover, the highest proportion of the defaulted sample borrowers have not kept a book of records while the greatest portion of the sample creditworthy borrowers does.

5.2 Conclusions

In conclusion, the borrowers related characteristics like age, gender and having other sources of income are the variables that can affect loan repayment performance of the borrowers. According to the study finding, defaulters represent the majority of youngsters relative to adult borrowers. The gender analysis showed that male borrowers have less repayment performance than female borrowers. Regarding income from other sources, the defaulters represent the majority relative to non-default borrowers having another source of income.

The loan related and technical and policy related characteristics were the variables considered in the current study area Accordingly, the variables loan size, peer monitoring, loan utilization credit timeless, repayment period suitability were considered in the study. The defaulter rate is high borrowers whose loan size insufficient. The default rate is higher in borrowers did not know and monitor the members in their enterprise than in those borrowers know almost of their enterprise members. In loan utilization analysis defaulters were representing the majority relative to non-defaulters in loan diverted borrowers. Regarding credit timelines factor also significant in affecting repayment performance in that the defaulters were higher in the borrowers (et. al, 1992) who did not receive fund on time than those who received on time. And also of repayment period suitability borrowers who were defaulters whose repayment period schedule is not suitable relative to the borrower's repayment schedule is suitable. Furthermore the defaulter rate is high borrowers who were not supervised and have not received adequate training than those who supervised and getting training.

Finally, business related, and socio-economic related characteristic variables were also analyzed. Thus, having high and low market demand for the end products is significantly affected the repayment performance of borrowers. The variables like technology adoption, business experience, keeping a book of records, price inflation, socio-cultural situation, supervision and provision of training were also found to be factors affecting loan repayment performance of members of SMEs borrowers.

2.3 Recommendations

Based on the results of the study the possible recommendations that emanate from this study are presented as follows:

- Regarding the time lags that taken from the borrowers screening process to the credit delivery time by the lending institutes, the longer time passes by the lending institutes to process the credit can influence the successfulness of that particular business and hence affects the repayment performance. So the more the fastest the credit service is the more the borrower can utilize the loan for the intended business plan timely and the more the credit would be settled on time profitably. Therefore time lags between loan application and disbursement should be reduced to increase repayment rate.

- It has been found that availability of other sources of income as a remittance or by means of other business activities has significant implication for borrowers' loan repayment decision. Thus, programs should focus on diversifying business activities of the clients other than the one the loan is taken.

- Although the complicated loan processing procedures, which might lead to delay in disbursement, further, it will increase default rate so it must be improved loan supervision and monitoring systems were also found to be important factors that enhance loan repayment performance. Therefore, OCSSCO, or other credit service providers should pay due attention on supervision of borrowers immediately after loan disbursement to minimize the willing defaulters. Effective supervision systems minimize the tendency of borrowers not to borrow multiple loans. Moreover, loan monitoring has to be given due attention since Credit Agents technical assistance will improve borrowers business performance and also enable lenders to evaluate the status of disbursed loans at different stages. Monitoring, organizing discussion forums to understand the borrowers feeling and suitability of the lenders also improves the lender-customer relationship thereby encouraging borrowers to stay long with the organization and finally develop trust and sense of ownership. It is also recommended that institution should compute thoroughly the borrowers' business proposal loan size before approving and sanctioning. Also continuous follow up and supervision is important for loan repayment, there is not enough supervision made by loan officers. This is due to the increasing number of clients in the institution with un-proportionate number and competency

level of loan officer. Therefore, it is recommended to make the number of clients and loan officer comparable.

- Sustainability of repayment period was 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 the loan. Therefore, the institution has to give enough time to clients so that they will be able to work with the loans they have borrowed and arranged the time to collect loan that will be suitable for them to sell their business output. In regarding supervision, and provision of training on loan utilization, loan repayment, the overall business activities, saving culture and social interactions to be given by appropriate stakeholders. Also giving a training how to manage their business through passing the price inflation.

- As the survey result depicts significant number of borrowers who were defaulters have diverted their loan from the initial intended use. Most borrowers in the default category divert loan to nonproductive purposes are unable to repay the loan on due time. Hence, it is important to come up with reliable and sound business plan rather than changing plans after receiving the loan. The lenders should provide training, and strictly evaluate the borrowers' business plan and provide manageable loans based on the cost benefit analysis. And this, the institution should work and investigate why the borrowers divert their loan particularly for unproductive purpose so as to fill the gap of unproductive and unintended loan diversion

- Finally the lending institutions should focus on the repayment challenges which are stated by the borrowers and take corrective actions. In order to solve the internal and external problems of the institution, the main thing might be improve the financial capacity of the institution and expand the services and upgrade the skill of loan officers in line with loan appraisal, loan monitoring and supervision.

- Lastly, the study highly recommends interested researchers to extend further investigation on the variables related to the enterprises rather than individual members in the Enterprises that can affect loan repayment performance like the market situation, size of the enterprise, and the overall social interaction between the enterprise members and others.

5.4 Limitation and Further Research Directions

As a conducting scientific research the researcher should better to try to complete the finding with effective and efficient situation. However, some limitation are affect the quality of the research :-

A. Lack of interest from the managers and the workers of OCSSCO branches to cooperate for undertaking the study.
B. Lack of awareness towards the respondents about the validity of the research.
C. Problem of pandemic of COVID 19 which have blocked the majority of socio economic activities. Due to this collecting necessary data was very great challenge and tiresome activities.
D. Budget problem, actual budget exceed than planned budget because to control Corona virus every things become limited and semi closed.
E. Lastly this study was not being all about MFIs borrowers of SMEs instead, it merely examine Factor affecting loan repayment performance of SMEs specifically Oromia Credit and Saving Share Company,(OCSSCO).

These drawbacks lead to potential prospect study information. Generally this research merely stressed on Factor affecting loan repayment performance borrowers of small and micro enterprise: case of OCSSCO borrowers. Consequently, almost all finding arrangement for Micro Finance Institutions are the remains unknown. Therefore, to assess factor affecting loan repayment performance borrowers of small and micro enterprise in the other area of the MFIs for future research.

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ANNEX-I

<div align="center">

Jimma University

College of Business and Economics

Accounting and Finance Department

Graduate Program (MSC) in Accounting and Finance

<u>Questionnaire Prepared for Borrowers of MFIs</u>

</div>

Dear Sir/Madam,

I am undertaking a research on factors influencing loan repayment performance of microfinance institutions, knowing the determinants of successful loan repayment will have a paramount importance to the MFI, to borrowers, to government and others. Moreover, the result of this study will be used as an additional reference for those who want to conduct detailed research on the area.

To this end, I have prepared a self – administered questioner to help me gather the pertinent information from the selected private borrowers. The quality of the result of this research is based on the accuracy of the information you provided. Eventually, I promise you, the information you will provide me is going to be reported and communicated in aggregate and utmost care will be taken for its confidentiality.

<div align="center">

Thank you for your cooperation!

</div>

PART A: Questions to be fill by MSE Borrowers and workers in the MFIs

Instruction - Please put your answer on the space provided or in circle the answer you need!

1) Borrower's Characteristics

1.1. Age

   1. 18-29 years(Young)   0. 30 years and above (Adult)

1.2. Sex   0. Male _____   1.Female _____

1.3. Marital Status_____

       0. Single   1. Married

1.4. Level of Education:

     1. Illiterate   2. Primary (1-8)   3. Secondary (9-12)

     4. Tertiary

2) Business Formation information

2.1. What type of business is your enterprise?

     1. Construction materials   2. Metal work 3.Wood work   4. Textile

     5. Other (please specify) _____

2.2. How old is your enterprise?

     1. < 1 year   2. 1 – 2 years   3. 3 – 4 years   4. 5 and above

2.3. How many members do the enterprise in which you a member have?

   1.3   2. 4   3. 5   4. ≥ 6

2.4. Do you know all of the members of your enterprise?

     1.Yes____0.No _____

2.5. Do you attempt to know or monitor the loan utilization of the other members of your enterprise?

     1. Yes ____   0. No ____

3) Loan Related Characteristics

3.1. How much money did you receive as a loan from your respective lender recently?

3.2. Do you think that the amount you received is similar to your intended request?

1.Yes ____   0.No ____

3.3. Is the repayment period set by the lender is suitable in your opinion?

      1.Yes ____   0. No ____

3.4. What is your repayment frequency?

  1. Monthly (Regular base)

  0. Quarter of a year, half a year, Yearly or Other (Irregular base)

3.5. Was the loan issued timely?   1. Yes _____   0. No _____

3.6. If 'No', what was the impact of the delay?

_____

_____

_____

3.7. What is the status of the recent loan?

      1.Repaid as scheduled _____   0. Defaulted _____

3.8. Is there any loan arrears with you?

    1. yes _____   0. No _____

3.8. If your answer is "Yes" for the above question, what was the cause for the loan to be in arrears?

    1.   A beliefs/attitudes that loan based business activities were worthless to generate profit

    2.   Used some of the loans to finance household living expense

    3.   Sold on credit but receivables did not get paid back on time

    4.   Bankruptcy of the business

    5.   Loss of assets acquired by the loan

    6.   Perceived the loan as if it is a donation, a grant by the Government bodies

    7.   Other (specify) _____

4) Loan Purpose and Utilization

4.1 Was the amount of loan you took enough for the purpose intended?

      1. Yes _____   0. No _____

4.2 Did you spend the entire loan for purposes specified in the loan agreement?

      1.Yes _____   0. No _____

4.3 If no, what was/were the reason(s) for spending part/entire loan for non-intended purposes?

1. The loan amount was not enough for the intended purpose

2. The loan agreement did not coincide with my initial intention

3. The proceeds received from the loan is exceeder than my actual costs

4. The change in Market demand

5. To settle another credit

6. To make a better profitable business

7. Other (specify) _____

5) Supervision and Training

5.1 Have you ever been supervised for loan utilization by Lender MFI staffs?

      1. Yes _____   0. No _____

5.2 Have you ever been supervised for loan repayment?

      1. Yes _____   0. No _____

5.3 If yes to either on. No. 5.1 or 5.2, in what time interval does the officer supervised your businesses?

   1. Monthly (Regular base)

   0. Quarter of a year, half a year, yearly or Other (Irregular base)

5.4. Did you get adequate training before receiving a loan?

      1. Yes _____   0.No _____

5.5. If yes, what kind of training did you take?

1. Business (Entrepreneurial, Innovative skill development)

2. Marketing

3. Saving culture

4. Bookkeeping

5. Other (specify) _____

5.8 Do you think that the training you took has helped you to enhance your knowledge about credits, mechanisms of asset management's and increasing your income?

      1.Yes_____   0.No _____

5.8 If no, what do you expect to be improved? _____

6) Income Level

6.1. Currently, do you have any other/new sources of income?

     1. Yes_____   0. No _____

6.2. If yes, what are those other sources and your annual income from them?

Source Annual Income

_____

_____

_____

7) Production Location, Market Place and Technology Adoption

7.1 Do you think that you have sufficient inputs around your business?

     1. Yes _____   0. No _____

7.2 Does your business have a suitable production place?

     1. Yes _____   0. No _____

7.3 Do you think that your production or market place is accessible for consumers?

     1.Yes _____   0.No _____

7.4 Do your businesses adopt an advanced technology while running the business?

     1.Yes_____   0.No _____

7.5 If yes, what type of technology do you use? _____

8) Business Experience and Market Situation

8.1. Do you have any similar business experience before engaging in this credit scheme?

     1. Yes_____   0. No _____

8.2. If your answer is yes, for how long did you involve in?

   1) "0" year (no experience)   2)Between 1and 2 years

   3) b/n 3 and 4 years   4) 5 years and above

8.2. How was the market demand status of your product? ___

     1. High _____   2.Medium _____   3. Low _____

8.3 If it is low, have you ever been assessed the feasibility of your business before starting operations?

     1. Yes_____   0. No _____

9)Macro-economic experience and socio cultural situation

9.1. Do you think that price inflation has an impact on your business and credit repayment performance?

    1. Yes _____   0.No _____

9.2.If your answer is yes, what type of impact ?

    1. Good _____   2. Bad   3. No change

9.3. Do you think the global market situation could affect your business?

    1. Yes _____   0.No _____

9.4. If your answer is yes, how is the influence?

    1. Encouraging _____   2. Discouraging _____ 3. No difference

ANNEX – II
Interview Questions:

Sample Borrowers

1) What factors other than those indicated in the questionnaires had seriously undermines your repayment performances?

_____

_____

_____

_____

_____

_____

_____

_____

Sample MFIs staffs:

1) What factors do you think that undermines the lending institutes' repayment recovery rates?

_____

_____

_____

_____

_____

_____

_____

_____

ANNEX - I
UNIIVERSIITII JIMMMAATTII

KOOLLEJII BIZINASII FI EKOONOMIKSII

MUUMMEE BARNOOTA AKAAWNTIINGII FI FAAYINANSII

WARAQAA GAAFFI LIQEEFATOOTA MAAYIKROO-FAYINAANSIIF KAN QOPHAA"EE

Obboo/Addee_____ tiif

    Ana barataa uniivarsiit Jimmaa Kolleejii Bizinasii fi Ekoonomiksii Muummee Barnoota Akaawuntiingii fi Faayinaansii sagantaa barnoota digirii lammaffaa (Msc) dhaan kan hoordofaa jiruu dha. Kanaaf barnoota kana xuumurachuuf ulaagaa guutachuu qabu wanta ijoo keessa tokko qo"annoo gaggeessu waan ta'eef, isumaa adeemsisaan jira.

    Gatii kanaaf **"Mata duree Dhiibaa Lqeeffatoota Maayikroo-faayinaanii Liqii fudhatan akka hin deebiifneee wantoota rakiisan"** jedhuu irratti qoo'anna gaggeessaan jira. Kana waan ta'eef rakoo liqii fudhatan deebisanii galchuu dadhabuun rakoon isaa liqeeffataa,dhabbata liqii keennuu, fi akka biyyaati hojii bu"aa qabeessumma irratti dhiibaa fiduu irratti ga'ee mataa isaa qaba.

    Dabalataan bu'aa qo'anno kana gara fula dura nammota fi dabbilee adda adda mata duree kana wajiin wal-qabatuun qo'ann gaggeessuuf fedhii fi kaka'umsa qabaniif akka egeeree (riifaraansii) ta'a jedheen yaada.

    Kanaaf waraaqaan (gaaffiin) dhunfaadhaan guutamu kuun amanammummadhaan fi sirrtti guutamee walitti qabammun isaa bu"aa qabeessumma qoo'aannichaaf gahee gudda qaba.

Dhumma irrattis yaada kessan bilissaan akka keennitan kabajaan isiin gaafachaa, iccitti keessan eeguuf waadaa isiin gala.

Deegeersa keessan huundaaf baa"ee isiin galateeffadhaa!

KUTAA -1

Liqeeffatoota Intar-praayisii Mayiikroo xiixiqaa fi gidu-gala fi hojetoota Mayikroo-Fayinaansii tiin kan guutamu.

Ajaja: Maaloo deebii keessan bakka sarara duuwaa fi lakkofsa filanno keessan uwiisuun akka guutan kabajaan isiin gaaffadha.

1. **Haala liqeeffataa/ttu**
   1.1. Umri   1.Waggaa 18-29   0. Waggaa 30 fi ol
   1.2. Sala   0. Dhiira_____   1. Durba_____
   1.3. Haala Gaa''ilaa

   0.Gaa'ila hin qabnee   1.gaa:ila qabu/duu

   1.4.Sadarkaa barnootaa

1.Kan hinbaranne   2.Sadarkaa tokkffa (1-8) baratee/tte   3.Sadarkaa lammaff (9-12) baratee/tte
4. Sadarkaa sadaffa (diiploomaa-digirii)   5.Kanbiraa yoo jiraatee ibsii_____

   2.Haala hojii (bizinasii) hojatan wajiin wal_qabattee.
   2.1. Dhabbanii keessan gosa hojii(bizinasii) akkamii irratti bobba'ee jira.
   1. Omishaa meeshaalee ijaarsaairrtti   2. Hojii siibilaa   3. Hojii mukaa
   4. hojii huccu adda adda   5. Kan biraa yoo ta''ee ibsii_____.
   2.2. Erga dhaabban bizinasii (hojii) keessan erga dhaabatee yeroo hammam ta'a?
   1. waggaa 1 gadii 2. Waggaa 1-2   3. Waggaa 2-3   4. Waggaa 4-5 5. Wagga 5 ol
   2.3. Baayiinaa missensoota Dabbata hijii (bizinasii) keessan hammam ?
              1. 3   2. 4   3. 5   4. 6 fi ol
   2.4. Namoota miseensa dhabbeta kessan hunduu beektuunii?
             1. Eyyee   0. Mitii Hinbeekuu
   2.5. Miiseensoota dhaabata keessan jiran wajiin wal-beekufiis ta'ee hordooffii waa'ee deebiffanna liqii ilaalchiisee marii niggeesitu?
       1. Eeyyee   0. Miti

3. Haala keenna liqii wajiin wal-qabatee jiru?

   3.1. Dhaabbata keessaniif qarshii hammam liqeeffattan?_____.

   3.2. Qarshii liqiin arggachuuf karoorsitaniif kana liqiin argattanii wal madaala jeetanii yaadduu?   1. Eeyye   0. Miti wal hingitu

   3.3. Akka yaada keessanitti dhaabbanni liqii isiiniif liqeese deebisee sassabuuf saggantaa mija'aa ta'ee qaba jettanni yaadduu?

   1. Eeyyee saggantaa mija''a qaba   0. Mitii sagagantaa mija''aa hin qabu

3.4. Saggantaa yeroo liqii itti deebistani galchiitan akkam?

1. Ji'atti al-tokko (sagantaa idileetiin)

0. Ji'a 3 tti al-tokko , Ji'a 6 tti al-tokko , Waggatti al-tokko yookin Haal biraatiin (sagantaa al-idileetiin).

3.5. Liqii isiiniif keenname ykn gadhiifamee akkuma yeeroo isin karoorsitaniiti?

1. Eeyyee   0. Miti

3.6. Gaaffi 3.5 tiif deebiin keessan "Miti" yoo ta'ee liqqicha yeroodhaan akk isiin hin keennamnnee wanta duddubbetti harkisee maal jeettanii yaddu? Yaada keessan ibsaa,_____
_____
_____
_____.

3.7. Yeroo hamma haala liqqii fudhattan maal fakaata?

1. Saggantaa eeggadhee deebisaan jira   0. Miti yeroon kaffalaa hin jiru

3.8. Liqiin deebi'uu qabu wuzifiin hin kaffalamne isiin irra jira?

1. Eeyyee jira   0. Miti hinjiru

3.9. Gaaffii 3.8 deebiin keessan "Eeyyee" yoo ta'ee liqii fudhatan akka hin deebifnee wanta dhiibbaa isiin irra ta'ee maal jeettanii yaadduu?

1. Dhala fi baasiwwan kan biroo waan qabuuf hoji (bizinzsii) liqiin hojatamu bu'aa hin qabu waan ta'eef

2. Qarshiicha hojii kaayyoo qabadheen ala baasii maatii itti bulchuuf waan godheef

3. Meeshaalee liqiin gurguraman liqiich deebi'uu waan hin dandeeyneef hoojiicha bu'a qabeessa miti.

4. Hojiichaa(bizinzsichcha) kisaaraa keesaaraa keessa waan nagalcheef.

5. Meeshaalee liqiin biteen fidee na jala waan badeef (burkuta'eef).

6. Liqii fudhadhe keennaa ykn deeggeersa qaama Mootuummaa irratti naaf keennamme waan nafakaateef.

7. Kan biraa yoo jiraate ibsii_____

_____
_____
_____.

4. Kaayyoo liqqiicha fi akaata itti fayyadammumman isaa.

4.1. Qarshii liqiin argattee kana hojii (bizinasii) karroorfateef(barbaadeef) gaha dha

  1. Eeyyee gaha dha   0. Gaha miti

4.2. Akka waliigaltee dhabaticha wajiin gooteen qarshii liqiin argatee baayy'ee isaa kayyoo qabameef olchiteetta?   1. Eeyyee   0. Miti hin goone

4.3. Gaaffii 4.2 tiif deebiin kan kee "Miti" yoo ta'ee , qarshii liqiin argatee kaayyoo (fidhii) barbaadameef akk hin ollee kan taasisee sababni isaa maal si fakaata?

1. Qarshii naaf liqiin keennamee gaha waan hin taaneef.

2. Walii-galtee dhabbaticha wajiin waa'ee hojii ilaalchisee kaayyoo kan koo wajiin waan walhindhufneef.

3. Baasii kanaan dura baasuu fi haala hamma jiru wajiin waan wal-hindhufneef.

4. Rakkoo fedhii gabaa gad bu'aa waan ta'eef

5. Liqii kan biraa waan narra jiruuf.

6.Bizinasicha(hojiicha) bu'a qabeessumma waan hin qabneef.

7. Kan biraa yoo jiraatee ibsii_____

_____.

5.Gaaffii haala Leenjii fi hordoffi wajiin wal qabatee jiru.

5.1. Haala itti fayyadamina qarshii liqiin argamee wajiin wal-qabatee leenjii hojatoota Maayikroo Faayinaansiin ykn hojattoota dhabbatichan leenjii fi hordooffii gaha ta'ee isiin godhani beekuu?   1. Eeyyee nigaggeessan   0. Miti hingaggessan

5.2. Haala itti deebiffanna qarshii liqiin argamee ilaalchisee hojatoota Maayikroo Faayinaansiin ykn hojattoota dhabbatichan hordooffii fi to'anna ni gaggeeffama?

      1. Eeyyee   0. Mitii

5.3. Gaaffii 5.2 tiif deebiin kan kee "Eeyyee" yoo ta'ee hordoffii haal yeroo akkamiin gaggeeffama?

  1. Ji'atti al-tokko (sagantaa idileetiin)

  0. Ji'a 3 tti al-tokko , Ji'a 6 tti al-tokko , Waggatti al-tokko yookin Haal biraatiin (sagantaa

    al-idileetiin).

5.5. Liiqiin gadhiiffamuun (keennamuun) dura leenjii fudhatani jirtu?

  1. Eeyyee   0. Miti hinfudhanne

5.6. Gaaffii 5.5 tiif deebiin keessan "Eeyyee" yoo ta'e leenjii argatan waa'ee maaliiti?

1.Waa'ee wal-gala hojicha(bizinasicha) ,hojii uumuu fi akaataa itti fayyadamina tekinoolojii wajiin walqabatee jiruun.

2. Haala qabiinsa gabaa wajiin wl-qabatee jiru.

3. Waa'ee qussannaa ilaalchisee jiru.

4. Waa'ee qabiinsa fi galmee heerreega ilaachisee.

5. Kan biraa yoo jira ta'ee ibsii_____

_____.

5.7. Leenjii argatan hojii keessaniif gaha dha jettanni yaaddu?

   1. Eeyyee gaha dha   0. Gaha miti

5.8. Gaaffii 5.5 tiif deebiin keessan "Miti " yoo ta'e maaltu akka fooyya'uu gorsituu? Yaada keessan ibsaa_____

_____

6.Gaaffii haala galii wajjin wal-qabatee jiru.

6.1. Yeroo kana keessatti hojii dhaabbatan hojattan ala kan galii dabalataan isiini galchu danda'u hojii dabalataan kan hojjattan qabdu?   1.Eeyyee qaba   0. Miti hin qabu

6.2. Gaaffii 6.1 tiif deebiin kan kee "Eeyyee" yoo ta'ee hojii dabalataa irra galiin keessan waggaatti meeqa ta'a? ibsi _____

7. Gaaffii omisha, keeninsa tajaajila,bakka gabaa ykn gurguurtaa fi akaataa itt fayyadamina meeshaalee tekinoolojii wajiin wal qabatee jiru.

7.1. Hojii (bizinasii) keessan meeshaalee dheedhii gaha ta'ee ni argataa?

  1. Eeyyee nanargadha   0. Miti hinargadhu.

7.2. Bakka hojii keessan bizinasii (hojii) hojjataniif mija'a dha jettanii yaadduu?

1. Eeyyee   0. Miti

7.3. Bakka hojii fi iddo gurgurtaa (bakka gabaa) ittin hojjechaa jirtan maamiltoota keessaniif mija'a ykn dhiyoo dha?   1. Eeyyee mija'a(dhiyoo) dha   0. Mija'a (dhiyoo) miti

7.4. Omisha ykn tajaajili kessan meeshalee teekinoolojii wajiin hariiroo (walitti dhufeeyna0 qaba?   1. Eeyyee qaba   0. Miti hinqabu

7.5. Gaaffii 7.4. tiif deebiin kan kee "Eeyyee" yoo ta'ee meeshaa teeknoolojii gosa kam akk itti fayyadamtan ibsi_____

_____.

8. Gaaffii muxxannoo hojii fi haala gabaa wajiin wal-qabatu.

8.1. Liqii kana fudhachuun dura gosa hojii hamma hojataa jirtan wajiin walfakaatu kanaan dura hojattanii beektuu?   1. Eeyyee   0. Miti hojadhee hin beeku

8.2. Gaaffii 8.1. tiif deebiin kan kee "Eeyyee" yoo ta'ee waggaa meeqaaf hojjatan?

1. Muxxanno hin qabu   2. Waggaa 1-2   3. Waggaa 3-4   3. Waggaa 5fi isaan ol

8.3. Haalii hojii (bizinasiin) kessan maal fakaata?

    1. Baayy'ee gaarii dha   2. Gidu-gala   3. Gadi'aana dha

8.4. . Gaaffii 7.4. tiif deebiin kan kee " gadi'aana yoo ta'ee hojii bu'aa qabeessa qabu kan biraa hojjachuf yaalii ykn qo'anno gooteetta?   1. Eeyyee   0. Miti hin goonee

9. Gaaffii wali-gala hawaassummaa fi dinagdee wajiin wal-qabatee jiru?

9.1. Yeroo hamma kana keessatti mi'achu gatii meeshaalee fi tajaajila adda addaa irratti muldhataa jiru kun hojii (bizinasii) hamma hojachaa jirtan irratti dhibbaa qaba jettani yaadduu?

        1. Eeyyee qaba   0.Miti hinqabu

9.2. Gaaffii 8.1. tiif deebiin kan kee "Eeyyee" yoo ta'ee dhibbaan isaa hammam?

        1. Gaarii dha   0.Baroo miti

9.3. Haalli gabaan biyyooleesaas ta'ee Adduynawwaa hojii (bizinasii) isiin hojachaa jirtan irra dhibbaa qaba jettu?

1. Eeyyee dhibbaa qaba   2. Miti dhibbaa hinqabu

9.4 Gaaffii 9.3. tiif deebiin kan kee "Eeyyee" yoo ta'ee dhibba akkamii qaba .

        1. Kan jajjabeessu   2. Kan hin jajjabeessine.   3.Jijjirama hin qabu

9.5. Haala waligala jireeyna haawaassumma naannoo keessan qarshii liqiin fudhatan sirritti akka hin deebifnee dhibbaa qaba jettanii yaaddu.   1.Eeyyee qaba   0.Miti hinqabu.

9.6. Gaaffii 9.5. tiif deebiin kan kee "Eeyyee" yoo ta'ee dhibbaa akkamii qaba?

  1. Dhibbaa Jajjabeessu   2. Dhibba gad harkiisu (duddubbeetti deebisu).   3. Dhibba hin qabu

Annex - II

        GAAFFII AFAANIN GAAFATAMU (INTERVIEW QUESTIONS).

    Naamuunaa Liqeeffataa irra fudhatamee

1. Gaaffiwwan kanaan ol tarrefaman ala waa'ee hojii kan kee fi liqii fudhatee irratti dhibbaa gudda qaba jette yaaddee tartiibaan barreessi_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____.

Naamuunaa hojattoota Dhabbata Liqii fiQusannaa (hojattoota Mikro-Faayinansii) irratti fudhatame.

1. Dandeetti Liqeeffattota (maamiltoota) keessan irra qarshii fudhatanii sirritti akka hin deebifnee dandeettii isaan irra dhibbaa guddaa qaba jattee yaadduu tartiibaan barreessii.

_____

_____

_____

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_____.

GALATOOMAA!