COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

DETERMINANTS OF LOAN REPAYMENT PERFORMANCE IN MICROFINANCE INSTITUTIONS: CASE OF OMO MICROFINANCE (OMFI) IN HADIYA ZONE

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ADDIS ABABA, ETHIOPI

STATEMENTS OF DECLARATION

I, the undersigned, declare that this thesis is my own work and has never been presented in any other university. All sources of materials used for this thesis have been duly acknowledged.

Declared By:-

Name: ……..……..

Signature: ……..……

Date: ……..…

STATEMENT OF CERTIFICATE

This is to certify that the thesis prepared by Adugna Tiroro, entitled: determinants of microfinance loan repayment performance**:**a case study of the microfinance institution in Hadiya Zone district and submitted in partial fulfillment of the requirements for the Degree of Master of Science (Accounting and Finance) complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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ADDIS ABABA UNIVERSITY- COLLEGE OF BUSINESS

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LIST OF ABBREVIATIONS

ADB:	Asian Development Bank
ADCSI:	Addis Credit and Saving Institution
AEMFI	Association of Ethiopian Micro Finance Institutions
AEMFI:	Association of Ethiopian Micro – Finance Institutions
AfDB:	Africa Development Bank
CBE	Commercial Bank of Ethiopia
CGAP:	Consultative Group to Assist the Poorest
CIDA:	Canadian International Development Agency
CSA	Central Statistical Authority
CSA:	Central Statistical Agency
EXC:	Ethiopian Commodity Exchange
GDP	Gross Domestic Production
GTP:	Growth and Transformation Plan
HHABP	Household Asset Building Program
LPF	Loan performer software
LRP	Loan Repayment Performance
MC:	Micro Credit
MCIs:	Microcredit Institutions
MF:	Microfinance
MFDR	Micro Finance Development Report
MFI:	Micro – Finance Institutions
NBE	National Bank of Ethiopia
NGO:	Non – Governmental Organization
OMF:	Omo Microfinance
OMFCSI	Omo Microfinance credit and saving institution
OMFIs:	Omo Micro Finance Institutions Share Company
OMFOPM:	Omo Micro Finance Operational Manual
SNNPRS:	Southern Nations and Nationalities Peoples' Regional State
SPSS:	Statistical package Software for Social Science
TEVT	Technical and vocational training

ABSTRACT

This study was conducted with the aim of analyzing and identifying the factors that influence omo microfinance loan repayment performance of the clients of omo microfinance institution. In order to achieve this objective, primary data were collected from 277 respondents using stratified sampling (110 defaulters and 167 non-defaulter). the population was divided into Urban and Rural based on settlement area. The primary data has been collected by interviewing 116 urban borrowers and 161 rural borrowers' respondent using a structured questionnaire with the help of trained enumerators. The questionnaire includes both open- and closed-ended questions. In addition, secondary data were gathered from the OMFI head office, OMFI branch office, and other related relevant publications. A binary logit model was used to analyze the socio-economic factors that influence loan repayment. Furthermore, a chi-square(X2) analysis was employed to compare the defaulters and non-defaulters group. A total of sixteen (16) explanatory variables were included in the regression. Out of these, eleven (11) variables were found to be significant for the probability of being a defaulter. The remaining five (5) variables were found to be insignificant for the probability of being a defaulter.

Keywords *Microfinance, omo microfinance, chi-square Loan repayment, Defaulters, Non-defaulters, and Loan determinants.*

CHAPTER ONE

1.1. BACKGROUND OF THE STUDY

1.1.1. General Background

In many developing countries, poverty has become sever leaving millions of people out of basic needs for survival (Fikirte, 2011). To relieve financial constraints and alleviate poverty, MFIs provides financial services to the poor (Godquin, 2004; Fikirte, 2011). In addition, the availability of financial services plays an important role in improving the economic and social status of the poor (Fikirte, 2011; Mokhtar et al., 2012). The eradication of poverty continues to be a top political agenda in most developing countries. In the 1970s the biggest developments in microfinance occurred for the poor people. The microfinance uprising has come a long way since Muhammad Yunus first providing financing to the poor in Bangladesh.

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

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

Microfinance can be a critical element of an effective poverty reduction strategy. Well, organized access and efficient provision of saving, credit and insurance facilities, in particular, can enable the poor to smooth their consumption, manage their risks better, build their assets gradually, develop their microenterprise, and enhance their income earning capacity. Thus, microfinance helps to promote economic growth and development (ADB, 2000).

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

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

1.1.2. Omo microfinance institution (OMFI)

Omo microfinance institution is one of the largest MFIs, which are operating in SNNPR, It was established in the year 1997 by Southern Nations, Nationalities, and Peoples' Region to reduce poverty by addressing the financial and related needs of the poor?

Currently, OMFI has 15 branches, 165 sub-branches and 3,888 kebele level credit and saving agents to serve the entire population of the region. OMFI strive to take part and play important role in combating poverty and bringing about sustainable economic development in the region (SNNPR) by providing financial services which stimulate and assist individual initiatives through encouraging self-employment both in urban and rural areas. Its specific objectives are:

- ⇒ Providing financial services to economically poor with special emphasis on women and youth
- ⇒ Supporting the emergence of entrepreneurship by providing financial and non-financial services to micro and small scale enterprises
- ⇒ Promoting saving and banking culture of the people in the region
- ⇒ Providing technical, organizational and social development support to enhance clients viability
- ⇒ Enhance the culture of saving of the target group and the public at large;
- ⇒ Create long term self-employment in income generating activities;
- ⇒ Assure financial and operational self-sufficiency of the institution.

OMFI has a three-level organizational structure, namely: head office, branch office, and service delivery post (Appendix 1).

1.1.3. The obligation for loan clients

OMFCSI is providing loan for borrowers only who fulfill the following criteria:

- ⇒ Borrowers above the age of 18 years,
- ⇒ Residence of Hadiya Zone, either engaged or ready to engage in the micro and small scale business, has a permanent working place,
- ⇒ Graduates of technical and vocational training (TEVT) in an organized form of cooperatives or business group,
- ⇒ certificate for business activities requiring loan size exceeding 5000 birrs,
- ⇒ The business should be implemented in the Hadiya Zone and loan are taken from the institution or similar institution should be settled beforehand (OMFCSI, 2019).

The main client screening mechanisms of the institutions are business profitability and experience, the interest in doing business, and client's behavior. In order to know the behavior of clients especially for group lending, they were collected historical background from different stockholders such as Women, & Youth associations' and small scale enterprise. In addition, they checked the amount of money requested by the client is enough for doing business or not; they have to control under and over finance. OMFCSI has been implemented different kinds of loan

guarantee and property collateral mechanisms for the loan. The most commonly used are group guarantee (joint liability), the salary of permanent employees of a different organization, collateral (a house or vehicle), clients of the institution based on their savings or business enterprise can be used as a guarantee (OMFCSI, 2018).

1.1.4. Basic Requirements for Credit Decisions

The OMFI has uniform basic requirements which applicants are expected to present and become eligible for a loan. Thus, credit decisions of the microfinance are based on the fulfillment of these requirements as mentioned below. ·

- Way of land owned:
- leased and own plan
- The borrower marriage certificate if engaged in marriage
- Proof of taxpayer
- I.d. Card of kebele, its photocopy

To be qualified for credit, every applicant should fulfill the previously mentioned requirements. If the borrowers full fill the requirements set by the microfinance on the checklist, the client will be eligible for the loan.

In the lending process, the microfinance prefers the business plane type and applicant creditworthiness as a first way out and collateral is the second way out as the basis for lending. However, the microfinance prefers the collateral base of lending because of the following main reasons:

- The economic level of the country: the living standard of society, poverty, etc.
- The culture of the society in lending is at its infant stage.
- The educational level of the society.
- Limited resources of the microfinance (this is to minimize the shortage of finance).
- It is believed to be a harmless way of lending in minimizing credit risk.

1.1.5. Loan approval allocation

The entry point for all loan services is the services delivery post. Loan of fewer than 5000 birr can be approved at this level. For loans from birr 5001 to 100,000, the service post makes the necessary business evaluation and writes its comment, which they then transfer to the branch. Based on all the documents and their judgment, the branch office will make the final decision on the loan amount. Loan greater than 100,000 birr will be transferred to the head office, after making the necessary evaluation by both the service post and branch office; the loan approval will be given at this level. The following table 5 shows the maximum loan term with respect to loan size (OMFCSI, 2018).

TABLE 1.1: THE LOAN REPAYMENT TIME RESPECT TO LOAN SIZE.

Loan size (in birr)	Maximum loan term	Remark
Up to 5000.00	Up to 18 months	Interest rate per year 8%
5001.00 – 10,000.00	Up to 24 months	Interest rate per year 15% and loan term two years
Above 10,000.00	Up to 36 months (full amount)	For Rural Youth Job Opportunity Creation. Interest rate per year 8% and loan term one year for business and two years for non-busines example Fattening, Poultry production and Crop farming. For Rural HHABP. Interest rate per year 10% and loan term one year for business and two years for non-busines example Fattening, Poultry production and Crop farming.

Sources: Profile of Omo Microfinance Credit and saving institution (OMFCSI 2018)

1.1.6. Incentive mechanisms

There were mechanisms to inspire borrowers to repay on time. Some of the incentives are by informing them that they can access the bigger loan, they can get a loan in a short time and by certifying active clients and acknowledging them in public. Besides, the institutions used to motivate loan officers by providing the incentive of mobile phone allowance, transport allowance, scholarship, and yearly bonus and salary increment. Once a year, there was a

competition between loan officers by the number of clients, the amount of outstanding loan, amount of saving and the repayment performance of specific service delivery center. Then the best loan officers are chosen and promoted and awarded. The institution gives training for loan officers once a year on the area of business evaluation, customer handling, saving mobilization, marketing, and delinquent management, and on how to increase loan repayment many countries of the Third World (Mead & Liedholm, 1998).

1.1.7 Amount of Loan Disbursed and Loan Defaulted

Based on the introductory data collected, the two district of OMFI default rate of last five years on the average reach around 31% selected borrowers in the agriculture, commercial, enterprise, and service sector. In view of that, the past five years (2014 up to 2018) summary of group, individual and cooperative borrowers loan repayment performance (default rate) at Hossana and Anlemo branch omo microfinance institution is presented in Table1.1 and Figure 1.1 below.

Table 1.2: Performance of Hadiya Zone Omfi Branch Anlemo and Hossana District During June 2014-2018.

Year	Jun-2014	Jun-2015	Jun-2016	Jun-2017	Jun-2018
Disbursed Loan	22,084,104	24,128,708	18,870,880	19,722,944	43,772,202
Loan Collected	14,413,210	17,537,699	14,824, 963	15,092,093	22,375,719
Loan Defaulted	7,670,894	6,591,009	4,045,917	4,630,851	21,396,483
Default rate	35%	27%	21%	23%	49%

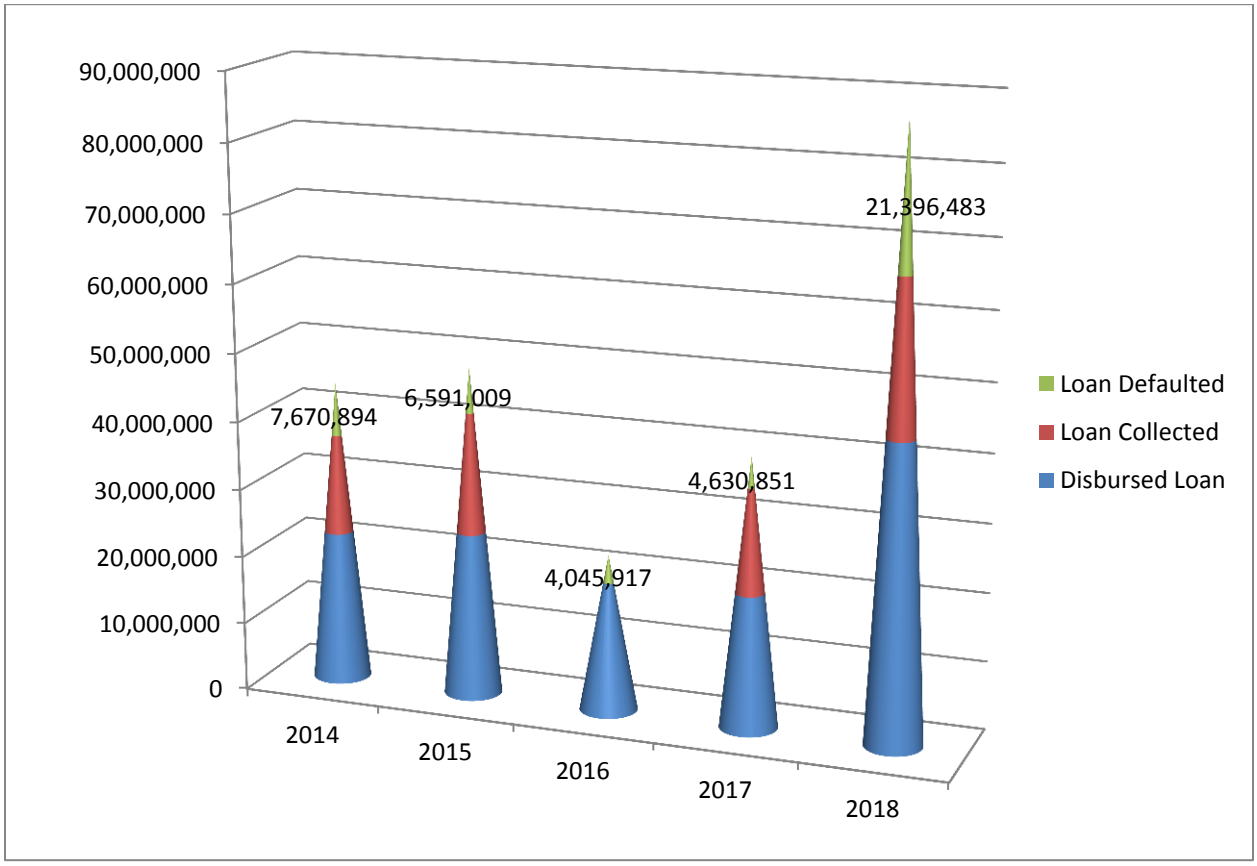
Sources Field result OMFI (2018)

According to the above Table 1.2 and Figure below 1.1 indicates even if it looks like decreasing in the year 2015 operation from that of the year 2014 (i.e., 35% to 27%), the default rate of borrowers of both branches of omo microfinance institution is increasing consequently for the following three years (2016-2018). It discloses that borrowers are not paying well their loan successfully from time to time that can badly affect the financial sustainability of omo microfinance institution. This is the reason why identifying and analyzing factors that determine clients loan repayment performance in omo microfinance institution was tried; specifically, those borrowers who operate together in agriculture, commercial, enterprise and service sector and other in Anlemo woreda and Hossana town. Besides, according to the manager of both branch of

the omo microfinance institution, the default rate that the institution is incurring now in group and individual lending has its own significant contribution to the cumulative default rate of OMFI. This leads to increase in the overall annual default rate that is higher than the rate that the National Bank of Ethiopia (NBE) set for all financial institutions, i.e., <5 percent (or >95 percent expected to be collected). Therefore, whether repayment of group, individual and cooperative loan is influenced by certain factors in a specific situation or influenced by the group, individual and cooperative they need an empirical investigation so that the findings can be used by microfinance institution to operate its credit programs for the better.

Figure 1.1: Amount of Loan Disbursed and Loan Defaulted

Loan Default in Percentage



Sources Field result OMFI (2018)

1.2. Statement of the Problem

Poverty alleviation was one of the key development challenges over the decades in most developing economies. One of the identified key constraints faced by the poor is lack of access to formal credit. Microfinance institutions are established to fill the gap of scarce finance resources by providing funds to the poor and lower income group to alleviating poverty and improve their business activities. Different approaches have been employed in alleviating poverty; one is the provision of credit for targeted poor. Credit is considered to be an essential input to increase productivity (Nawai and Shariff, 2010). Provisions of credit to the poor take advantage of economic opportunities to increase their level of output hence move out of poverty (Shetty, 2008).

The primary objective of MFIs was to provide financial services (credit and saving) to the poor in order to discharge financial constraints and help alleviate poverty. Microfinance institutions offer loans mostly to urban and rural peoples who cannot afford collaterals to get loans from banks. Financial services in Ethiopia are characterized by high urban concentration (Facet, 2013). To fill these gap microfinance institutions provide credit to the poor, who lack access to formal credit from financial institutions. One indicator of the effectiveness of MFIs was the loan repayment performance of the borrowers (Addisu, 2006). High loan repayment rates benefit both MFIs and borrowers (Godqin, 2004). Most MFIs in Ethiopia are experiencing default problems as can be observed from their declining repayment rates (Abafita, 2003). The poor loan controlling system causes a serious challenge to most microfinance institutions.

Microfinance institutions try to maximize their repayment performance. Improving repayment rates helps reduce the dependence of the MFIs on subsidies, which would improve sustainability (Godquin, 2004). Also, it argued that high repayment rates reflect the adequacy of MFIs' services to clients' needs. High repayment rate helps to obtain the next higher amount of loan (Bond and Rai, 2009). Contrary to this, if there is a low repayment rate, both the borrowers and the MFI are affected. In this case, the borrowers were not able to obtain the next higher loan and the lender will also lose their customer. Default rates are the number of loans not collected on current and past loan maturity period.

Studies on loan repayment were not a new research area. In fact, various researches have conducted in loan repayment performance at a different time, but the results of findings are still debatable among different researchers. The findings show there is the inconsistency of result regarding the determinant factor variables. Some variables such as sex, education level, method of lending and loan size have debatable results. For instance; Fikirte K. Reta and Fitsum Tadele Bhatta and Tang (2002) and Solomon and Addisu (2013), found sex has a significant impact on repayment rate, whereas Godquin (2004) and Jemale (2003) oppose this result. Regarding loan size, Zeller and Sharm (1996) found as loan size have a positive impact on Loan Repayment. Whereas, Jemale (2003) found as loan size have a significant and negative influence on Loan Repayment. Found sex has a significant impact on the repayment rate, whereas opposes this result. Regarding loan size, found as loan size has a positive impact on loan repayment.

Whether default was random and influenced by erratic behaviors or whether it is influenced by certain factors in specific situations, therefore, needs an empirical investigation so that findings can be used by Microfinance Institutions to manipulate their credit programs for the better. Therefore, this study was conducted/ aims to fill the above-mentioned gaps by including additional variables on former researchers on determinants of loan repayment identifying and examining determinants of loan repayment in MFIs in Hadiya Zone, SNNPRS, and Ethiopia. Besides, as to the researcher's knowledge, it appears that no study has been conducted on microfinance loan repayment performance in Hadiya zone on urban and rural borrowers. The researcher selected this area due to; MIFs such as OMFI is facing financial constraints to sustain loan provision to the poor due to problems in loan repayment performance. Thus, this study is conducted to examine the factors that determine the performance of loan repayment of OMFI, Hadiya Zone - SNNPR. Finally, the findings will expect to fill the literature and knowledge gap observed in the area. Besides, the findings of this study will help to visualize the factors affect loan repayment of borrowers and lenders in the study area. In general the gap shows; inconsistency empirical Findings, Lack of empirical studies specific to the determinants of loan repayment performance of borrowers in the study area of microfinance institution especially in OMFI and considering the facing financial constraints to sustain loan provision to the poor due to increasing in the default rate of the institution.

Finally, the results from findings and recommendations from this study can be used by governments, non-governmental organizations (NGOs), donor agencies, credit unions and banks in policy making processes which in the long run would help to effectively improve repayment rates of microfinance institutions for sustainability and poverty reduction. It is also hoped that the result of the study will contribute significantly to further studies on microfinance and lending methodologies.

1.3. The objective of the Study

1.3.1. The General objective

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

1.3.2. The Specific objectives are:-

⇒ To identify the demographic and socio-economic factors that influence the loan repayment performance of OMF borrowers.

⇒ To assess the major problems faced by the borrowers and lenders in the repayment process related to internal and external factors in OMFIs

⇒ To examine the purpose of borrowing and loan related factors that influence the repayment performance of the clients

⇒ To analyze loan collection performance of Omo microfinance borrowers in a rural and urban area.

1.4. Research Questions

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

⇒ What are the major demographic and socio-economic factors that influence the loan repayment rate of the borrowers of Omo Microfinance Credit and Saving Institution (OMFCSI)?

⇒ What are the major problems and challenges faced by the borrowers and lenders in the repayment process in Omo Microfinance Credit and Saving Institution (OMFCSI)?

⇒ What are the businesses and loan related factors that influence the repayment performance of the clients?

⇒ How to analyze loan collection performance of Omo microfinance borrowers in a rural and urban area?

⇒ What are the internal and external challenges of Omo Microfinance Credit and Saving Institution (OMFCSI) as an institution?

1.5. The hypothesis of the Study

The repayment rate is expected to be influenced by borrowers' specific characteristics, the project-specific characteristics, and other external factors. Factors expected to affect the loan repayment performance of borrowers are identified on the basis of similar studies done before. Variables that are hypothesized to be input determinants of loan repayment performance in this study were specified as follows:

H1: There is a significant Relationship between demographic characteristics and loan repayment performance among omo microfinance loan beneficiary in Hadiya zone

H2: There is a significant relationship between institutional characteristics and loan repayment

Performance among omo microfinance loan beneficiary in Hadiya zone

H3: There is a significant relationship between Socio-economic characteristics and loan repayment Performance among omo microfinance loan beneficiary in Hadiya zone

1.6. Significance of the Study

MFIs are important for poverty reduction and creating employment opportunity especially in developing countries like Ethiopia. One of the key factors for profitability and sustainability of MFIs is the presence of good loan repayment rates. There are a number of socio-economic factors that affect loan repayment rates. Analyzing such factors and planning and appropriate solutions are essential to expanding the activities of MFIs in a sustainable manner.

This study tries to provide information for a better understanding of the determinants of loan repayment performance of the OMF in Hadiya zone from both lender and borrowers side. The primary advantage of this study is to establish a knowledge base that enables to makes a sound

decision and take corrective action. In addition, the information was useful for policymakers, other lending institutions, and stakeholders. This study tries to provide:-

- Knowledge for future references by people who have the interest to gain insight about loan repayment performance of an institution
- Relevant information to decision makers about loan repayment performance of OMF.
- Baseline data to compare against similar studies to be made in the future in the study area.
- Possible suggestions to problem areas and recommend a possible solution for concerning body.
- A base for Policymakers to develop policies that will enhance loan repayment rates since they were an understanding of the factors that influence repayment rates.

1.7. The scope of the Study

The study was conducted in Hadiya Zone, of the Southern Regional State, in Ethiopia. As stated in the objectives, the main aim of the study was to identify important demographic, socio-economic and institutional factors that affect loan repayment performance of borrowers who borrow from formal credit sources namely omo microfinance institutions. Accordingly, the study was conducted in two districts of the Hadiya Administrative Zone, Hossana town and Anlemo woreda districts.

1.8. Limitation of the Study

The study was concerned with the analysis of the determinants of loan repayment performance of Hadiya Administrative Zone small-scale farmers and therefore did not consider borrowers from informal credit sources. This limitation is attributable to the time constraint and the relatively higher asymmetry of information in informal circles. Therefore, the study was undertaken to meet its objectives within the above limitations.

There are also many factors affecting the sustainability of MFIs such as outreach, repayment performance, policy support, and using innovative features. But this study covered the repayment aspects of microfinance in the case of Omo MFI and focused on the socioeconomic factors that are associated with repayment. Moreover, the income and other assets of the borrowers are not included in the study. The data are obtained from two services delivery posts out of the 11

delivery posts that OMFCSI operates. The delivery posts are limited to two due to logistical limitations.

1.9. Delimitations of the study

Really there are other problematic issues that are extremely relevant and important, in microfinance institutions specially omo microfinance. A case in point is an examination into the possibility that microfinance institutions are making the poor poorer particularly considering there interest rates, terms of loan service and the methods and violence they employ in loan recovery. Since it is not possible to address these entire problems in one portion of work, this study set these problem outsides its boundaries and focused particularly on the determinants that influence loan repayment performance in omo microfinance institutions.

Additional, it is serious to observe that due to time and resources limitations the study could not a consideration to all the determinants that influence loan repayment performance of omo microfinance credit and saving institutions. There are many determinants that could not be investigated in to due to the above-stated limitations. To separate but a few is the influence of Information Technology and group dynamics on loan repayments. In view of the above-mentioned constraints, the research focused only on a few characteristics namely; demographics and cultural factor, institutional factors, and economic factors.

A further delimitation was the methodology selected for the study. Questionnaires were used for data collection and these had their own limitations. There were other methods like focused groups that if combined with the questionnaire would have provided necessary classification. In view of time restrictions and limited resources, the questionnaire was considered to provide the accuracy and depth required for the study, and as such chosen as the preferred method for data collection.

1.10. The Structure of the Study

The study is organized into five chapters. Chapter one contains the introduction to the study. It provides the context within which the study is examined, the problem statement and questions, which leads to an outline of the research objectives and significance of the study. In addition, the chapter discusses the limitation and scope of the study. Chapter two contains a review of the

literature on the concepts, theories, and debates underpinning the study and appropriate in guiding the study. Chapter three provides the methodology, methods, sampling procedures and tools used for data analysis as well as the background on the sample area. Chapter four contains data presentation and analysis of findings and chapter five provides a summary of findings, recommendations, and conclusion.

1.11. Assumptions of the study

One assumption of the study is that the respondents gave accurate and truthful information. This assumption was built on the premise that respondents participated in the study voluntarily and the opportunity was offered for them to pull out of the survey at will. Further, confidentiality was assured at the onset of the survey. On these grounds, it was assumed that respondents did not feel trapped or in any way incriminating themselves by giving information that otherwise would put them in a bad light with the lender. Another assumption made in the study was that the sample frame was representative of the entire population on which the inferences are made. This assumption is justified by the procedure and method used in selecting the frame.

1.12. Definition of significant terms used in the study

Microfinance institution: An organization that offers a variety of financial services including, but not limited to saving unsecured small loan to the poor.

Microfinance: Extremely small loans often not secured given to person lacking collateral, steady employment or verifiable credit history to help them become self-employed or meet an urgent financial obligation.

Demographic characteristics: Social economic and cultural characteristics of a population expressed statistically, examples of which would include Sex, Age, Family size, Level of education, Occupation, and Marital status among others.

Sources of income: An activity, multiple activities or welfare from which a borrower regularly or irregularly receive money equal or unequal installments that in turn will be used for loan repayment.

Provision of supervision: Contact (whether direct or via other media like a phone call) made by loan officers before and after loan disbursement for advisory and training reasons as well as assessments of the utilization of loan funds and monitoring of borrowers credit conduct.

Delinquents/Defaults: Delay in remitting loan funds when they fall due or failure to pay loan either in part or entirely as scheduled and signed by the borrower on receipt of loan funds.

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

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

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

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

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

Grameen Bank: Is a community development Bank started in Bangladesh. They give small loans (known as microcredit or "grameencredit" to poor people without asking for money before the loan is given. The word "Grameen" is made of the word "gram" or "village" and means "of the village"

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

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

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

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

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

CHAPTER TWO
LITERATURE REVIEW

2.1. Theoretical Review

2.1.1. Overview Of Micro Finance

Microfinance refers to the provision of financial services to low-income clients, including consumers and the self-employed (Ledgerwood, 2000). The word microfinance refers to small-scale financial services primary credit and savings provided to people who operate small enterprises, provide services, fish farm or herd, and to other individuals or groups at local level of developing countries both rural and urban areas (Robinson, 2001).

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

2.1.2. Microcredit And Microfinance Definition

The Grameen Bank defined microcredit as small loans given to the poor for undertaking self-employment projects that would generate income and enable them to provide for themselves and their families. The target populations comprising women microenterprises from low-income households and the loans have no collateral.

However, microfinance is defined as the provision of financial services to low-income clients, including consumers and the self- employed, who traditionally lack access to banking and related services (Gonzalez-Vega, 2008). Microfinance is a place for the poor and near-poor clients to get access to a high-quality financial service, which includes not just credit but also savings, insurance, and fund transfer. According to Ledger wood (1999), microfinance is a provision of a broad range of financial services such as savings, credit, insurance and payment services to the poor or low-income group who are excluded from the normal banking sectors.

Microfinance is a development approach that provides financial as well as social intermediation. The financial intermediation includes the provision of savings, credit and insurance services,

while social intermediation involves organizing citizens' groups to voice their aspirations and raise concerns for consideration by policymakers and develop their self-confidence (Robinson, 2002).

The World Bank defines microfinance as "Small-scale financial services primarily credit and savings provided to people who farm or fish and who operate small enterprises or microenterprises where goods are produced, recycled, repaired, or sold; who provide services; who work for wages or commissions; who gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and groups at the local levels of developing countries, both rural and urban" (Robinson, 2001).

Therefore, based on all definitions given, it can be concluded that microcredit is just a small credit given to the poor that engaged in microenterprise or for the purpose of income-generating activities. On the other hand, microfinance encompasses broad financial services given to the poor and low-income group for many reasons and not just for income generating activities. Woller & Parsons (2002) describe microfinance as the second revolution in credit theory and policy where the first revolution is microcredit.

Microfinance institutions (MFIs) were established to fill the gap in the financial services sector by providing funds to the poor and lower income group and thus alleviating poverty and enhance their business activities. The MFIs provide funds for a start-up business or for working capital. In addition, some MFIs also provide funds for non-business activities such as for education and emergencies purpose. In the credit market, agency problem, moral hazard and adverse selection exist because of information asymmetries. Information asymmetries are the main obstacle for MFIs to provide loans to clients. Financial institutions usually require a business proposal, borrower past credit information and collateral before approving the loan. MFIs offer credit through the group-based lending method to mitigate agency problems, moral hazard, and adverse selection and to replace the collateral requirement. In group-based lending, borrowers must form a group before applying for loans and they also respond to other loan members. If one member default, the others will be responsible to pay the loan or they will be denied access for the next loans.

2.1.3. Characteristics of Microfinance

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

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

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

2.1.4. Theories of Microfinance

There are a number of theories that try to explain the concept of microfinance and its role in improving the lives of poor people whole the world. Governments and development partners have invested heavily in these economies to alleviate poverty which is an obstacle to the

development of the financial markets and empowering the citizenry economically. There are different types of theory such as neo-classical growth theory, welfarist theory, institutions theory, empowerment theory and uniting theory (Todaro et al, 2003; Robinson, 2001; Elsa and Stina, 2006; Cheston and Kuhn, 2002, cited in Omoro and Omwange, 2013).

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

2.1.5. Challenges of microfinance

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

At the micro level, the Problems related to the creditworthiness and credit discipline of the clients are the main challenges (Samuel, 2008, p.23). According to Vento (2004), the first most typical challenges faced by any Microfinance institution is a credit risk. In addition, the cost of debt collection per loan amount is, on average, higher than in formal intermediation, especially in developing countries lending.

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

Similarly, the high cost of service associated with the low-value, high volume and cash-intensive nature of the business and also high fixed and variable costs (Basu, 2005).

The second source of risk for MFIs is represented by interest rate risk; it can be significant in the case of MFIs that collect deposits too. In most developing countries, the average higher interest rate is volatile. Similar to interest rate risk, liquidity risk also appears more significant for deposit-taking MFIs; in fact, small savers tend to make frequent withdrawals and deposits, therefore, managing liquidity could become more difficult (Vento 2004). Moreover, Basu (2005) stated that risk management challenges are associated with high levels of information asymmetry.

Another source of challenges in MFIs is ownership and governance risk. This risk concerns the weakness in internal control systems, which play an important role especially in case of lack of external regulation (Vento 2004). In addition, limited management capacity in MFIs and institutional inefficiencies also challenges (Campion, 2002). Moreover, the inadequacy of well-trained personnel in their roles and staff incentives within any formal organization paradigm (private or public) that seeks to deliver these services is challenging for Microfinance institutions (Basu, 2005).

2.1.6. The Concepts of Loan Delinquency and Loan Default

Several researchers have given several but touching definitions of loan delinquency and default. CGAP (1999) describes a loan as delinquent when a payment is late. A delinquent loan becomes a defaulted loan when the chance of recovery becomes minimal (Addae-Korankye, 2014). In the view of Ameyaw Amankwah (2011), default occurs when a debtor has not met his or her legal obligations according to the debt contract. According to Murray (2011), a loan default occurs when the borrower does not make required payments or in some other way does not comply with the terms of a loan. Balogun and Alimi (1990) also define loan default as the inability of a borrower to fulfill his or her loan obligation as at when he or she falls due.

A loan is delinquent when a payment is late (CGAP, 1999). A delinquent loan becomes a defaulted loan when the chance of recovery becomes minimal. Delinquency is measured because

it indicates an increased risk of loss, warnings of operational problems, and may help to predict how much of the portfolio will eventually be lost because it never gets repaid.

There are three broad types of delinquency indicators: collection rates which measures amounts actually paid against amounts that have fallen due; arrears rates measures overdue amounts against total loan amounts; and portfolio at risk rates which measures the outstanding balance of loans that are not being paid on time against the outstanding balance of total loans (CGAP, 1999).

Default occurs when a debtor has not met his or her legal obligations according to the debt contract. For example, a debtor has not made a scheduled payment or has violated a loan covenant (condition) of the debt contract (Ameyaw-Amankwah, 2011). Default is the failure to pay back a loan. The default may occur if the debtor is either unwilling or unable to pay their debt. A loan default occurs when the borrower does not make required payments or in some other way does not comply with the terms of a loan. (Murray, 2011).Moreover, Pearson and Greeff (2006) defined default as a risk threshold that describes the point in the borrower's repayment history where he or she missed at least three installments within a 24 month period. This represents a point in time and indicator of behavior, wherein there is a demonstrable increase in the risk that the borrower eventually will truly default, by ceasing all repayments. The definition is consistent with international standards and was necessary because consistent analysis required a common definition. This definition does not mean that the borrower had entirely stopped paying the loan and therefore been referred to collection or legal processes, or from an accounting perspective that the loan had been classified as bad or doubtful, or actually written-off. Loan default can be defined as the inability of a borrower to fulfill his or her loan obligation as at when due (Balogunand Alimi, 1990).

2.1.7. Causes of Loan Delinquency/Default

According to Ahmad, (1997), causes of loan default include; lack of willingness to pay loans coupled with the diversion of funds by borrowers, willful negligence and improper appraisal by credit officers. In addition, Hurt and Fesolvalyi (1998), cited by Kwakwa, (2009) found that, corporate loan default increases as real gross domestic product decline, and that the exchange rate depreciation directly affects the repayment ability of borrowers. Balogun and Alimi (1988)

also identified the major causes of loan default as loan shortages, delay in the time of loan delivery, small farm size, high-interest rate, age of farmers, poor supervision, non-profitability of farm enterprises and undue government intervention with the operations of government-sponsored credit programs. Moreover, Akinwumi and Ajayi (1990) found out that farm size, family size, the scale of operation, family living expenses and exposure to sound management techniques were some of the factors that can influence the repayment capacity of farmers. According to Olomola (1999), loan disbursement lag and high-interest rate can significantly increase borrowing transaction cost and can also adversely affect repayment performance.

2.1.8. Lending Methodology

Lending to the poor or lower income group raises many debates among practitioners and academicians. The poor are usually excluded from credit facilities because of many reasons. These include insufficient collateral to support their loans, high transaction costs, unstable income, lower literacy, and high monitoring costs. Usually, they survive through involvement in micro-business activities or informal activities that comprise food processing and sales, small scale agriculture, services, crafts, and petty trading. However, these activities actually contribute a number of total employment and gross domestic product (GDP) to the country. Micro and small enterprises (MEs) have been recognized as a major source of employment and income in many countries of the Third World (Mead & Liedholm, 1998). Lending methodologies differ with respect to whether loans are made to groups or to individuals. The lending methodology selection greatly influences product design, client selection, the application as well as an approval process, loan repayment, and monitoring and portfolio management. The lending methodology also impacts the institutional structure and staff requirements, including training and compensation (Ledger wood, 2013).

2.1.8.1. Individual-based lending

Individual lending requires greater honest analysis of clients and their cash flows, sometimes physical collateral, and frequent and close contact with clients during the term of the loan. Loan approvals and amounts are based on an applicant's eligibility and debt capacity, which in turn are dependent upon a number of factors, including personal and business characteristics, for

example, age, gender, or reputation, sources and amount of income, age of business, cash flow, and available collateral (Ledger wood, 2013).

2.1.8.2. Group-based lending

Since the 1970s, group lending programs have been promoted in many developing countries (Zeller, 1996). The key feature of group lending is a joint liability. This means all group members are treated as being in default if any one member of the group does not repay his/her loan. Therefore, each member is made responsible for the repayment of loans of his or her peers (Besley and Coate 1995). Most schemes give subsequent credit only if the group has fully repaid its previous loan. Loan under joint liability shows the threat of losing access to future credit incites members to perform various functions, including screening of loan applicants, monitoring the individual borrower's efforts, and enforcing repayment of their peers' loans (Zeller, 1996).

When performance is measured with a repayment rate, group lending shows a mixed success (Huppi and Feder 1990). Moreover, Besley and Coate (1995) point out that group lending has both a positive and negative effect on repayment rates. The existing theoretical models of peer monitoring assumes that the repayment performance in the group-lending program is positively related to the homogeneity of group members with respect to the riskiness of their projects (Stiglitz 1990; Devereux and Fishe 1993; Besley and Coate 1995) cited by (Zeller, 1998). Zeller (1996) discusses that since the risk of loan default by an individual is shared by his or her peers, a member may choose a riskier project compared to that in the case of individual contract, and may count on other members to repay his or her loan (i.e. adverse selection of risky projects). He further notes that repayment incentives for a good borrower will disappear under joint liability when he or she expects that a significant number of peers will default.

Group-based lending is one of the new approaches to lending small amounts of money to a large number of clients who cannot offer collateral. The size of the group can vary, but most of the time groups have between 4 to 8 members. The group self-selects its members before acquiring a loan. Most MFIs require a percentage of the loan that is supposed to be saved in advance, which points out the ability to make regular payments and serve as collateral (Murray and Boros, 2002).

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

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

2.1.9. Microfinance In Ethiopia

Microfinance institutions introduced in Ethiopia after the downfall of the Derg regime following the policy of economic liberalization. The development of microfinance institutions in Ethiopia is a recent phenomenon. Ethiopian development strategy is the establishment of sustainable microfinance institutions serving a large number of poor people. Microfinance is taken as a shift from government and NGO subsidized loan programs to finance services run by specialized financial institutions. Later microcredit programs were changed to microfinance institutions.

Non-governmental organization (NGO) credit schemes and informal sources of finance have existed in Ethiopia for many years; the government instituted a legal and policy framework for MFIs in 1996 through Proclamation 40/1996 (Gebrehiwot, 2002).

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

2.1.10. Omo microfinance institution (OMFI)

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

Zone); Durame (Kembata, Alaba Tembaro Zone); Arbaminch (Gamogofa Zone); Wolkite (Guraghae Zone); Bonga (Kaffa and Sheka Zone); Awassa (Sidama Zone); Dilla (Gedio Zone); Mizan (Bench Maji Zone) and Sodo (Wolayita Zone). Total Number of Woredas Covered so far is 52 Woredas in 9 branches. It provides financial services to active poor peoples in southern regional states both in urban and rural areas. Currently, the institution has more than 327,888 active borrowers and gross loan portfolio of USD 31.2 million. The institution reaches its target through the organizational structure, namely: head office, branch office, sub-branch office and kebeles service delivery post. The total number of employees in the institution is 214, out of which 66 are loan officers and the rest are support staffs (OMFI, 2013).

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

2.1.10.1. Client Selection Criteria And Group Formation

Some of the selection criteria for credit service are:-economically active, healthy and capable poor between age group 18 and 60years, low income urban, low-income civil servant, good and proven credit history, willing to make compulsory saving and viability of business plan are the main criteria. In addition to this group formation is one of the key element in MFI, the group will consist of a maximum of 5 members and a minimum of 3(OMFI, 2010).

2.2. Factors Affecting Repayment Performance

2.2.1. Individual/ Borrower Characteristics Affecting Repayment Performance

Some authors link the repayment performance with firm characteristics such as Nannyonga (2000), Arene (1992) and Oke et al. (2007) (Table ii). Oke et al. (2007) mention that the firm's profit significantly influenced loan repayment. Besides that, Khandker et al., (1995) raise the question of whether the default is random, influenced by erratic behavior, or systematically influenced by area characteristics that determine local productions conditions or branch-level efficiency. Their study on Grameen overdue loans supports the idea of the partial influence of area characteristics. Rural electrification, road width, primary educational infrastructure, and commercial bank density are positively correlated with a low default rate as well as predicted manager's pay.

2.2.2. Firm Characteristics Affecting Repayment Performance

Godquin (2004) suggests that the provision of non-financial services such as training, basic literacy and health services has a positive impact on repayment performance. Roslan & Mohd Zaini (2009) found that borrowers that did not have any training in relation to their business have a higher probability of default.

Tedeschi (2006) notes that there are two possible reasons for default: strategic default or default due to a negative economic shock. The lending contract provides incentives to discourage strategic default, but default due to an economic shock is unavoidable. In contrast, Hulme & Mosley (1996) argue that the important factors contribute to loan repayment performance are the design features of the loan. They categorize the design features into three categories namely access methods, screening methods and incentive to repay. Access methods generally ensure that poor people access the loans not the richer people and the features include maximum loan ceilings and high-interest rate. Screening methods are used to screen out bad borrowers.

However, Stearns (1995) argues that "it is the lender, not the borrower, who causes or prevents high levels of delinquency in credit programs. While, Awoke (2004), reports that most of the default arose from poor management procedures, loan diversion, and unwillingness to repay

loans. Therefore, the lenders must devise various institutional mechanisms that aimed to reduce the risk of loan default.

2.2.3. Institutional/Lender Characteristics Influencing Repayment Performance

A few researchers also found that loan characteristics play an important role in determining repayment performance (Roslan & Mohd Zaini, 2009; Njoku, 1997; Ugbomeh et al., 2008) Copisarow (2000) found that defaults generally arise from poor program design or implementation, not from any essential problems with the borrowers.

2.2.4. Loan Characteristics Affecting Repayment Performance

According to Derban et al. (2005), the causes of non-repayment could be grouped into three main areas: the inherent characteristics of borrowers and their businesses that make it unlikely that the loan would be repaid. Second, are the characteristics of lending institution and suitability of the loan product to the borrower, which make it unlikely that the loan would be repaid? Third, is a systematic risk from the external factors such as the economic, political and business environment in which the borrower operates? Vigenina & Kritikos (2004) find that individual lending has three elements namely the demand for non-conventional collateral, a screening procedure with combines new with traditional elements and dynamic incentives in combination with the termination threat in case of default, which ensure high repayment rates up to 100 percent.

Roslan Abdul Hakim et al. (2007) in their study concluded that close and informal relationship between MFIs and borrowers may help in monitoring and early detection of problems that may arise in non-repayment of loans. In addition, cooperation and coordination among various agencies that provide additional support to borrowers may help them succeed in their business. The study compared the good practices and performance of selected MFIs in Malaysia namely; Amanah Ikhtiar Malaysia, TEKUN, Koperasi Kredit Rakyat and Bank Pertanian Malaysia. However, Addisu (2006) categorized repayment problems into four factors: (a) borrower related cause, (b) business operation related cause, (c) lender related to cause and, (d) extraneous causes.

2.3. Empirical Studies on Determinants of Loan Repayment performance

Loan repayment performance is affected by a number of socio-economic and institutional factors. While some of the factors positively influence the loan repayment, the other factors are negatively affecting the repayment rate. Regarding the loan repayment performance of borrowers, several studies have been conducted in many countries by different authors. Some of the studies are summarized below.

2.3.1. Empirical Studies of other countries

A study undertaken by Bassem (2008), on main factors vulnerable to affect the repayment performance of group lending in Tunisia reveal that the repayment is influenced positively by the internal rule of conduct, the same business, the knowledge of the other members of the group before his formation, the peer pressure, the self-selection, the sex, the education, and the non-financial services and tie with the loan officer. However, the homogeneity and the marital status are among the main factors acting negatively on the repayment performance of credit groups.

A study on group size and social ties in microfinance institutions conducted by Abbinki, Irlenbusch, and Renner (2006) indicated that microfinance programs provided poor people with small loans given to jointly liable self-selected groups. Follow-up loans provided incentives to repay. In this study, they experimentally investigated the influence of those features on strategic defaults. Each group member invested in an individual risky project, whose outcome was known only to the individual investors. Subjects decide whether to contribute to group repayment or not. Only those with successful projects could contribute. The experiment ended if too few repay.

This investigated group size and social ties effected and observed robust high repayment rates. A study conducted by Wenner (1995) on group credit as a means to improve information transfer and loan repayment performance in Costa Rica found that members of groups engaged in formal screening with an internal code of regulations had a low probability for delinquency, indicating that screening indeed resulted in an informational efficiency gain, a result which is supported by Zeller (1998).

A study on key factors of joint-liability loan contracts by Alexander and Denitsa (2004) reported that joint liability induces a group formation of low-risk borrowers. Furthermore, the incentive

system leads to peer-measures between the borrowers, helping the lender to address the moral hazard and enforcement problem. They also demonstrate that the mechanism realizes high repayment rates if the loan officers fulfill their complementary duties in the screening and enforcement process.

Another study was conducted by Onyeagocha, Chidebelu, Okorji, Ada-Henri, Osuji, and Korie (2012) on an examination of determinants of loan repayment of microfinance institutions in southeast states of Nigeria reveal that out of nine explanatory variables, five variables were found to be significant for the probability of being defaulter; that is group size, shocks, training duration, loan size, and credit officers experience were significantly influencing loan repayment performance of MFIs. However, the remaining four explanatory variables namely, gender, age, interest rate, and methodology had no significant effect on the loan repayment performance.

Roslan and Mohd (2009) undertook a study on the determinants of loan repayment among microcredit borrowers in Malaysia by dividing determinants into three categories- characteristics of borrowers, characteristics of the project or business and the characteristics of the loan. Their result indicated that the probability for loan repayment default was influenced by the gender of the borrower, type of business activity, amount of loan, repayment period and training.

Determinants of repayment performance of credit groups in Madagascar were analyzed by Zeller (1996). He found that groups with a higher level of social cohesion have a better repayment rate. Moreover, the programs that provide saving service to their members have a significantly higher repayment rate.

An investigation of the key factors that influence loan repayment performance among group clients of microcredit institutions (MFIs) in Tanzania has been carried out by Francis and Abel (2009). According to their findings, experience, training time, and sanctions have positive and significant effects on loan repayment performance among group clients of MFIs. However, transaction costs and group size have negative and significant effects on loan repayment performance. An investigation by Alessandra, Luke, and Bruce (2005) on the effect of social capital on group loan repayment found a direct relationship between default and homogeneity, which is the increment in the homogeneity of the group members, would lead to the higher repayment.

As per empirical analysis on determinants of repayment performance in credit groups by Zeller (1998) implementation of internal rules and regulations by the group members would lead to the better repayment performance that is a decrement in the cost of operations of the lender and decrement in the default rate. To sum up, as mentioned above, various studies were conducted in various countries (outside Ethiopia) on the determinants of group loan repayment performance. Most of these studies have identified major factors influencing group loan repayment performance and categorized them as group borrower specific factors (i.e., peer monitoring, peer pressure, self-selection, homogeneity, group size, internal rule of regulation), lender specific factors (i.e., loan size, training, experiences of credit officers) and socio-economic specific factor (i.e., external shocks) that affect principally the loan repayment rate of group borrowers.

2.3.2. Empirical Studies In Ethiopia

Abebe (2011) examined determinants of credit repayment and fertilizer use by members of cooperatives in Ada district, Oromia Region, Ethiopia. Tobit model was employed to identify factors influencing loan repayment performance of the households. The result of the model showed that family size, livestock ownership, on-farm income, non-farm income, and saving habit were the statistically significant factors influencing timely loan repayment performance positively.

Abreham (2002) studied on the loan repayment and its determinants in small-scale enterprise financing in Ethiopia around Zeway area. In an attempt to analyze the determinants of loan repayment status of borrowers and to identify the criteria employed to ration credit he used two equations; loan repayment and rationing equations. The estimation result employing Tobit model reveals that having another source of income, education, work experience in related economic activity before the loan and engaging on economic activities other than agriculture are enhancing while loan diversion, being the male borrower and giving extended loan repayment period is undermining factors of the loan recovery performance of projects. With regards to the loan rationing mechanism, he found that borrowers who secured high value of the collateral and those with relatively longer repayment period were favored although they tend to be riskier while those with higher equity share and extensive experience in related activity were disfavored.

Amare (2005) studied on the determinants of loan repayment performance of smallholder farmers in North Gondar, Ethiopia. In order to analyze the factors that affect loan repayment, he employed a Tobit model. A total of 17 explanatory variables were considered in the econometric model. Out of these variables, seven of them were found to have a statistically significant influence on the loan repayment performance of the sample households. These were; landholding, size of the family, agro-ecology of the area, total livestock holding, number of years of experience, number of contacts, sources of credit and income from off-farm activities. The remaining variables (family size, the distance between the main road and household residence, the purpose of borrowing, loan amount and expenditure for social festivals) were found to have an insignificant effect on loan repayment performance of smallholder farmers. Bekele et al. (2005) studied the socio-economic factors influencing repayment of agricultural input loan in Ethiopia using a logit model. The result of the model showed that total livestock holding, the amount of loan taken by households, off-farm income by a member of the household, yield loss, grain production and timeliness of input supply, became significant variables.

Brehanu and Fufa (2008) employed probit and logit regression to study the determinants of loan repayment rates for agricultural loans among small-scale farmers in Ethiopia. In the study, they found that borrowers with larger farms, higher numbers of livestock and farms located in a rainfall area had a higher capacity to repay loans since all those factors increased the farmers' productivity and income. The study also found that borrowers who had extra business income and were experienced in using agricultural technology had a good repayment performance.

Belay (2002) employed a logit model to estimate the effects of hypothesized explanatory variables on the repayment performance of rural women credit beneficiaries in Dire Dawa, Ethiopia. Out of the twelve variables hypothesized to influence the loan repayment performance of borrowers, six variables were found to be statistically significant. Some of these variables are farm size, annual farm revenue, the celebration of social ceremonies, loan diversion, group effect and location of borrowers from the lending institution.

Gebrehiwot (2006) employed a logit regression model in his research and showed that five variables were significant to affect borrowers' loan repayment performance. These variables include the educational status of the sample household, family size of the household, duration of

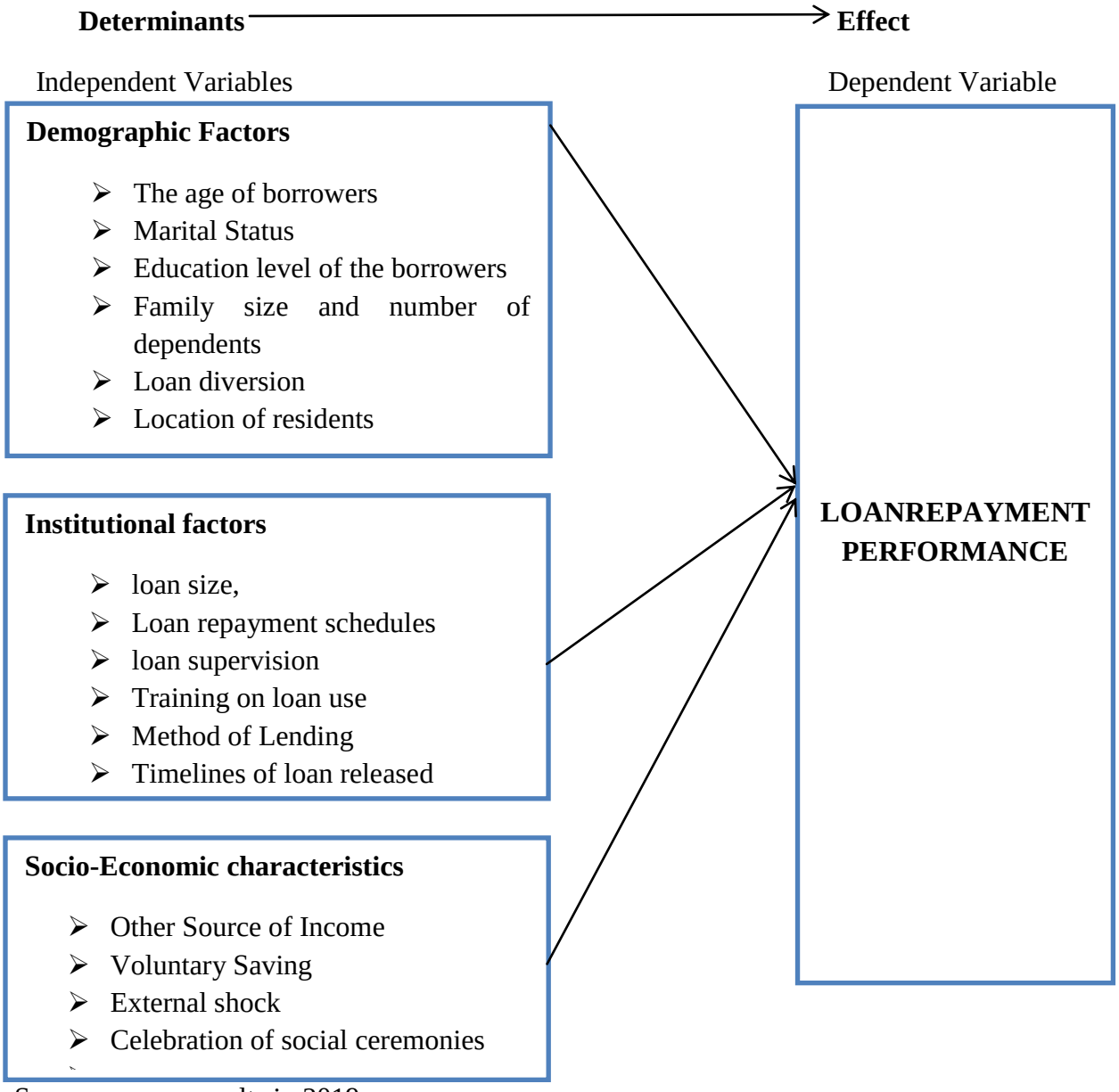
a cooperative member of the household, total size and use of land holding of the household and amount of money borrowed by the household. Except for the size of land holding, all the significant explanatory variables affect the loan repayment performance smallholders positively.

Jemal (2003) analyzed the microfinance repayment performance of Oromia credit and saving institution in Kuyu, Ethiopia. According to his finding; sex, loan size and the number of dependents are negatively related to loan repayment. On the other hand, age was found to be positive, while age squared turned to be negative. Income from activities financed by loan, repayment period suitability and loan supervision are positively and significantly related to loan repayment performance. Moreover, loan diversion is significant and negatively related to the loan repayment rate. The negative sign implies that the use of diverted funds for non-income generating purposes.

Million et al. (2012) studied factors affecting loan repayment performance of smallholder farmers in the east hararghe zone, Oromia, Ethiopia using a Tobit model. The result of the model showed that agro-ecological zone, off-farm activity, production loss, informal credit, a celebration of social ceremonies, number of contact days of the farm household head with extension agents and loan income ratio, determined repayment performance.

Retta (2000), cited in Jemal (2003) employed a probit model for loan repayment performance of women fuel wood carriers in Addis Ababa, Ethiopia. In his finding, frequency of loan, supervision, the suitability of repayment period and other income sources are found to encourage repayment hence reduce the probability of loan default, While the educational level is negatively related to loan repayment.

2.4. Conceptual frame work of loan repayment



Source; survey results in 2019

2.5. Conclusion and research Gap

Studies on loan repayment are not a new research area. In fact, various researches are conducted in loan repayment performance at a different time, but the results of findings are still debatable among different researchers. The finding shows there is Inconsistency empirical Findings, Lack of empirical studies specific to the determinants of loan repayment performance of borrowers in the study area of microfinance institution especially in OMFI and considering the facing financial constraints to sustain loan provision to the poor due to increasing in the default rate of the institution. inconsistency of result regarding the determinant factor variables. Specifically, variables like Age, Gender, Education level, Method of lending and Loan size have debatable results. Therefore, in addition to solving the problems existed in the study area this study is going to fill the gap mentioned above by including additional variables on former researchers on determinants of loan repayment. Besides, as to the researcher's knowledge, it appears that no study has been conducted on microfinance loan repayment performance in Hadiya Zone on urban and rural borrowers.

In addition to the above, other various studies were conducted on the determinants of loan repayment performance in different countries. Majority of the study conducted was focused on loan repayment related to rural borrowers, but few studies indicate loan repayment performance of urban borrowers. However, the present research focuses on the determinants of loan repayment performance of rural microfinance beneficiaries for the agricultural business, urban microfinance beneficiaries for commercial sectors, for the service sector, an enterprise sector and Government employee microfinance beneficiaries the purpose of the loan was taken for household consumption rather than start the business or expanding the business. Furthermore, the study will also analyze the loan repayment performance of microfinance clients, the impact of lending on borrowers business activities, like commercial sectors, an enterprise sector which are involved in construction, metalwork, woodwork, kobil stone road construction and the like, service sectors and agricultural sectors on loan repayment performance of OMFI, that were not done by the other researchers before at the study area of OMFI. Therefore, this study aims at addressing this research gap.

CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

3.1. Introduction

This chapter presents the methods and procedures that are followed in conducting the research with the aim of examining loan repayment and its determinants in the borrowers of omo microfinance in Ethiopia's SNNPR, Hadiya Zone. The chapter discusses the research design, population, and sample, data collection techniques used, data analysis method that are employed in the study and data validity and reliability.

3.2. Description of the study area

The study is conducted in Hadiya zone of the SNNPRs. The administrative center of Hadiya zone is Hosaena town, which is located 232km southwest of Addis Ababa following the asphalt road that passes through Alemgena, Butagera to Arbaminch. Alternatively, it is located 282km southwest of Addis Ababa following the asphalt road that passes through wolkite to Wolaita. It is one of the 14 administrative zones of the SNNPRs with the population of 1,231,196 of which 49.7% are male and 50.3% are female. Out of these, 10.89% live in towns and the rest 89.11% live in rural areas (CSA, 2007). It has a total area of 3, 46958.5 hectares. Hadiya zone is bordered on the south by Kembata Tembaro (KT), on the southwest by the Dawro zone, on the west by the Omo River which separates it from Oromia Region and the Yem Special Woreda, on the north by Gurage, on the northeast by Silte, and on the east by the Alaba special woreda; the woredas of Mirab Badawacho and Misraq Badawacho form an exclave separated from the rest of the zone by Kembata Tembaro.

It is approximately 2000 meters above sea level and its altitude ranges from 501-3000 meters. The area is divided into three ecological zones: Kola 12.9% (lowland <1500m), Woina Dega 68.1% (mid-altitude 1500- 2300m) and Dega19% (highland > 2300m). Most of the area lies within the mid-altitude zone. The report from zone administration indicated that Hadiya zone has 10 woredas and one administrative town with a total number of 329 administrative kebeles of which 303 rural, 8 are urban and 18 suburban kebeles.

The microfinance institutions operating in the Hadiya zone are Omo microfinance, Wisdom and Agare microfinance institution in the different woredas and administrative town. The Omo

microfinance institution was established in 1997, as part of the national food security-programmed by the regional government. Based on a broad federal food security objective of poverty alleviation through intensification of economic growth, the development of financial markets is one of the strategic interventions that the government has put in place. With this background, the Omo Microfinance Institution was established to promote access to finance in the region particularly in rural areas. The shareholders of the institutions are the regional government, (owning 80% of the share); local NGOs (19.5% of the share) and individuals (0.5% of the share). Currently, the Omo Microfinance Institution operates at 10 sub-branches of Hadiya zone, wisdom microfinance at three branches and Agare at hosaena town.

The interview that the researcher held with officials of OMFI indicates that OMFI is delivering both installment and term loan services. The maximum loan term is 36 months and the minimum loan term is allowed for 6 months. The lending agency is delivering the service using both group collateral and personal guarantee. Some of the economic activities financed so far: Agricultural sector, Commercial sector, Enterprise sector, and Service sector

3.3. Major Economic activities

Business activities and public sector employment are the dominant economic activities in the town. The residents of the town also practice urban agriculture in the peripheral areas of the town administration. The major economic activity in the study area is agriculture particularly for the rural population where subsistence farming is the dominant means of earning a living. The major economic activity for urban residents is trading. The economy of the study area is predominantly mixed farming. According to Ethiopia Investment Agency (EIA), during the period 1992-2009, 1433 private investment projects were licensed to be implemented in Hadiya Zone Hosanna town of the SNNPRs. Out of the total approved private investment projects, 122 were in the agriculture sector, 16 were in the manufacturing sector and the rest 1295 investment projects were in the service sector.

Agriculture

The existing farming system is traditional mixed farming based on animal traction and human labor that also includes animal rearing for milking, draught power, and transportation. There is

an excessive dependence on rain and no significant irrigation is found. The farming system is mixed farming with the traditional method of using animal power for cultivation activity, not cultivated with modern means of cultivation. The livelihood of the community depends on mixed agriculture at a very subsistence level. Farming activity is relatively better as compared to other areas of the country. Major crops grown include maize, teff, potato, wheat, fruits, and vegetables others are growing in different agro-ecological zones. Drought has been affecting the whole livelihood for most of the years in recent times. Livestock production is equally important as crop production in all parts of the study area. Cattle have a multipurpose benefit. It provides power for farming, meat, milk, hides, manure, and service as an asset and source of income in drought and famine periods. The major agricultural products of the research area are Ensete, Ch'at, Teff, Wheat, Barley, Potatoes, Coffee, Beans, Pea, Sorghum, Maize,

Household income

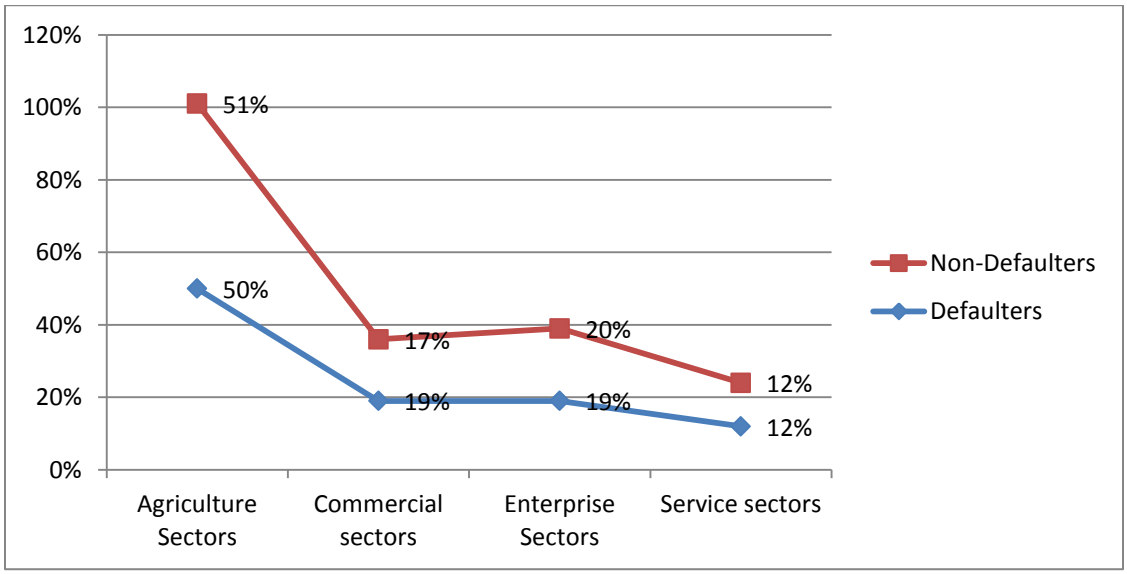
Communities in Villages along the alignment derive their income from a wide variety of sources. According to the agriculture and rural development office and the Development Agents of the study area, the income sources include from the sale of crops of Maize, Haricot beans, Teff; sale of vegetables, potato, sale of Chat, Coffee and Livestock products. Among all sources Chat, Enset and coffee are found to be the major sources of income. The major share of their expenditure is food. Generally, it is understood from the field survey that average income is based on the farm land size a farmer possesses, thus the relative importance of Chat, Enset and Coffee land to contribute income for the farmers is high in most of the villages. Although it is possible to indicate the sources of income and the relative importance, it was difficult to arrive at a reasonable estimate on average rural HH income and expenditure of the communities in the study area. The importance of mixed farming is clear; it represents the most important income source in the great majority of villages. Non-agricultural income sources (e.g. migration, a daily laborer in commercial farms,) also exist but limited. Overall, the economy of the community is highly mixed crop farming. Thus the major source of income of the farmers is crop farming.

Table 3.1: Business Types of Defaulters and Non-Defaulters

Business Sector	Purpose of Loan	Defaulters (N= 110)		Non-Defaulters (N= 167)	
		No. of Respondents	Percent Result	No. of Respondents	Percent Result
Agriculture Sector	Agriculture Business	55	50%	85	51%
Commercial Sector	Commercial Business	21	19%	28	17%
Enterprise Sector	Enterprise Business	21	19%	33	20%
Service Sector	Service Giving Business	13	11.8%	21	12%
TOTAL……		110		167	

Source; Field Survey Result 2019

Fig 3.1: Business Types of Defaulters and Non-Defaulters



Source; Field Survey Result 2019

Table 3.2 below showed the uses the respondents put the loan into. From the total sample respondents the majority 85(31%) of the respondents are non-defaulter and put the loan into the agricultural sector: -Purchase of Farm Oxen and Agricultural inputs, Fertilizer and basic seed purchase and Animal Fattening. From the total sample respondents the 55(20%) of the respondent's defaulter and put the loan into the agricultural sector, Purchase of Farm Oxen and Agricultural inputs, Fertilizer and basic seed purchase and Animal Fattening.

10.1% of the respondents non-defaulter and put the loan into Commercial Sectors: - Shop and Container, Ballitina' and Petty Trade, Backing 'Ingera' and Selling and Street or Road Trade

(Gulliti), 7.6% of the respondents defaulter and put the loan into Commercial Sectors, Shop and Container, Ballitina' and Petty Trade, Backing 'Ingera' and Selling and Street or Road Trade (Gulliti).

11.9% of the respondents non-defaulter and put the loan into the enterprise, metalwork, Wood Work and Poultry Products Production and Selling, 7.6% of the respondent's defaulter and put the loan into the enterprise, metalwork, Wood Work and Poultry Products Production and Selling.

7.6% of the respondent non-defaulter and put the loan into the service sector, Tea and Coffee, Barber and Beauty Salon, Small Restaurants. 4.7% of the respondent's non-defaulter and put the loan into the service sector, Tea and Coffee, Barber and Beauty Salon, Small Restaurants. This implies that agriculture business types highly default than Commercial, Enterprise and Service types of business, these shows according to the purposes of loan, majority borrowers area rural borrower.

Table 3.2: Business Types of Defaulters and Non-Defaulters

Business Sector	Purpose of Loan	Defaulters (N= 110)		Non-Defaulters (N= 167)		Remark
		No.of Respondents	Percent Result	No.of Respondents	Percent Result	
Agriculture Sector	Animal Fattening	23	8.61%	35	12.64%	Rural Beneficiary
	Fertilizer and basic seed purchase	19	6..86%	32	11.6%	
	Purchase of Farm Oxen and Agricultural inputs	13	4.7%	18	6.5%	
TOTAL……		55	19.9%	85	30.7%	
Commercial Sectors	Shop and Container	6	2.2%	8	2.9%	Urban Beneficiary
	Ballitina' and Petty Trade	6	2.2%	9	3.2%	
	Backing 'Ingera' and Selling	5	1.8%	7	2.5%	
	Street or Road Trade (Gulliti)	4	1.4%	4	1.4%	
TOTAL……		21	7.6%	28	10.1%	
Enterprise	Metal Work	8	2.9%	15	5.4%	
	Wood Work	9	3.2%	12	4.3%	

	Poultry Products Production and Selling	4	1.4%	6	2.2%
T0TAL…… ……..		21	7.6%	33	11.9%
Service Providing Business.	Tea and Coffee	7	2.5%	8	2.9%
	Barber and Beauty Salon	3	1.1%	6	2.2%
	Small Restaurants	3	1.1%	7	2.5%
TOTAL……..		13	4.7%	21	7.6%

Source; Field Survey Result 2019

3.4. Research Design

The study was employed explanatory research design with quantitative and qualitative methods to examine the determinants of loan repayment in omo microfinance borrowers in Ethiopia Southern region, Hadiya Zone. The quantitative aspect of the data focused on the description of socioeconomic variables, loan, and related variables, and business-related variables and analysis of the relationship among the dependent and explanatory variables of OMFI for the study.

3.5. Research Strategy /Approach/

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

3.6. Target Population of The Study

The population for this study is borrowers of omo MFI Hosaena branch and omo MFI Anlemo woreda branch are purposively selected. The number of borrowers' data was collected from the borrower profile of the institutions. During the data collection period, borrowers would classify as defaulter and non-defaulter. The total target population of the study is 980 borrowers. The researcher used a total number of 8 officers (out of these 2 managers and 6 loan officers) are purposively selected for the interview in the study period.

Information acquired from an interview of concerned officials of the Kebele administration and OMFI officials include:

- The support of Kebele administration to the development of small and micro enterprises
- Measures are taken to tackle default problems
- Information with regard to types of loan and savings

Information obtained using the survey questionnaire includes:

- Borrower characteristics like age, sex, marital status, level of education, household size, occupation, etc.
- History of the loan (amount of loan, purpose, and utilization of loan, etc.)
- Information on group formation (group monitoring, group responsibility, group action, group member)
- Information on income (from activities financed by the loan and from other sources)
- Information like access to medical and educational facilities, nutritional status, etc.
- Information on savings, Training and financial recording
- Information on business (Business experience, business type, business information, market study),
- Information on borrowers' perception of the cost of default, customer service of the institution and other relevant variables and adequacy of supervision, and
- Other relevant variables.

Information obtained from the branch office includes:

- Information on loan like repayment period, loan term, loan disbursement and collection, availability of training, loan officers visits, and stability, etc,

Information like screening mechanisms, saving services, the formation of groups/centers, etc.

3.7. Sampling Techniques And Sample Size Determination

3.6.1 Selection of Sample Respondents

The researcher used stratified sampling in selecting the representative's borrowers following the method of proportional allocation under which the sizes of the samples from different strata are

relatively kept proportional to the sizes of the strata. The sample for this study consists of the defaulter and non-defaulter loan beneficiaries responding to the questionnaires. As per loan list survey, out of total 980 borrowers, 110 borrowers are a defaulter and 167 are non-defaulter borrowers. To develop the sampling size, lists of borrowers are acquired from the entire two microfinance borrowers profile list. A representative sample is selected from the total borrowers by using stratified sampling technique dividing the borrowers (population) into two strata, in terms of loan payment status as defaulters and non-defaulters. This study would be applied purposive sampling design to select the staff manager and loan officer respondents. It is because manager and loan officers are responsible for loan repayment performance and he/she was assumed to know the required information.

3.6.2 Sampling Procedure and Technique

Sample size determination formula was adopted to decide the sample size of borrowers for this study. The number of borrowers is 390 defaulters and 590 non-defaulters, totally the target study size will be comprised of 980 loan beneficiaries. To select a representative sample from this population, the numbers of borrowers are rural 569 and urban 411, totally the study size comprised of 980 beneficiaries, using the following scientific formula. First, the initial sample size is determined by using the following scientific formula:

The formula for Calculating a Sample for Proportions

For populations that are large, Cochran (1963:75) developed Equation 1 to yield a representative sample for proportions.

Equation…… (1) $n_0 = z^2_{\alpha/2} * p\,q\,/\,e^2$ = 385

Where **Z**= value for selected alpha level 0.025 in each tail (for 95% degree of confidence) =1.96, **(p) (q)** = estimate of variance = 0.25, **e** = the desired level of precision (i.e., the margin of error), p is the estimated proportion of the population which has the attribute in question, q=1-p.

If the population is small then the sample size can be reduced slightly. This is because a given sample size provides proportionately more information for a small population than for a large population. The sample size (n0) can be adjusted using Equation 2.

Cochran's (1977) correction formula is used to calculate the final sample size. This calculation is as follows: Equation…… (2) $n = n_0 / 1 + (n_0\text{-}1/ N)$ = 385/(1+384/980)= 277

Where 'N' is the total population (980) and 'n' is the sample size of the study. The researcher has selected 364 from borrowers as per stratified sampling. This sample size can be used as representative of the microfinance institutions' beneficiaries, because of borrowers under similar strata have homogenous characteristics and have a common environment in which they exposed to similar problems.

Yamane (1967:886) provides a simplified formula to calculate sample sizes. This formula was used to calculate the sample sizes. A 95% confidence level and P =.5 are assumed for Equ.3. To determine sample size from each stratum, the following sample size determination formula has been used: Equation…… (3) $n_h = Nh / Ns * n$ = 110 Defaulter and 167 Non-Defaulter

Where: nh= sample size from each stratum, Nh= Total population in each stratum, Ns=Total population of the sum of strata for study and n= Total sample size from the study population.

The strata will group in four sectors (Agricultural sectors, commercial sectors, enterprise sectors, and service sectors) according to the purpose of borrowing. The survey mainly purposely considers two service delivery posts namely; Hosaena town administration for the urban respondent and, Anlemo Woreda for the rural respondent are purposely selected in terms of their large number of clients.

Table3.3:-Proportionate sample size defaulter and non-defaulter borrower

Loan repayment status	Number of Borrowers					Proportionate sample size from stratum nh=(Nh ÷Ns)* n	
	Urban		Rural		Total		
	1	**2**	**3**	**4**			
	Sample	PSS	Sample	PSS	1+ 3		Total 2 + 4
Defaulters	166	47	224	63	390	(390/980)*277	110
Non-Defaulters	245	69	345	98	590	(686/980)*277	167
Total	411	116	569	161	980		277
Where; - PSS= Proportionate Sample Size							

Source: survey result, 2019

3.8. Data Source

3.8.1. Primary Data

The primary data was collected from the sample of the branch's clients (both defaulters and non-defaulters) through a structured interview. The interview was made with key informants such as Loan Officers, Branch Manager, and Regional Coordinator to know the status of the portfolio quality of the Branch.

3.8.2. Secondary Sources

Secondary data was obtained from the branches' annual progressive report. On top of these secondary data was gathered from the branches default register book and from the software LPF (Loan performer software). The report on defaulters and loan portfolio also obtained from LPF software.

3.8.3. Key Informant Group Interview

For the study period and in the study area Key informant interview was used to obtain basic accurate information on community and organizational profile. The informants were selected in consultations with kebele, Woreda and Zone administration, microfinance officials and kebele omo agents.

3.9. Data Collection

The study was used both primary and secondary data which is obtained from omo microfinance borrowers with the aid of questionnaires the questionnaire would be developed by the researcher and structured according to the objectives of the study. This would be used to generate information on the personal characteristics of the target group and to determine the factors affecting their repayment performance. Both closed and open-ended questions are used to obtain responses. The questionnaire is physically administered to each respondent, who was allowed enough time to respond. This study is conducted based on both primary and secondary data, using a structured questionnaire with the help of trained enumerators.

The primary data are collected by face to face interviews using a structured questionnaire. The questionnaire includes both closed and open-ended questions. The closed-ended questions used

to collect background information about the respondent. It was covered the personal information, institutional, group lending, loan, and repayment related questions. The open-ended questions deal with the challenges in the repayment process and institution, the perception of clients towards the OMF and microfinance institution as a whole.

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

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

3.10. Data Analysis and Estimation Technique

For this study data analysis aims at satisfying the research objectives and provides a possible answer to the research question. For the survey collected data to be understood in an easy way, it needs to be analyzed.

The research used quantitative techniques in analyzing the survey data. After receiving questionnaires from the sample respondents the responses were edited, classified, coded and tabulated to analyze quantitative data using statistical package for social science (SPSS 20). Tables demonstrating frequencies and percentages were used for easy understanding and analysis. Finally, conclusions were made based on Chi-square (X^2) test results.

The empirical analysis of the study would be conducted using both descriptive statistics and econometric regression model. Descriptive statistics discussion was made by using measures like percentages, tables, and maps used for comparing borrowers not paid credit/defaulters/ and paid credit/ non-defaulters /in various explanatory variables.

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

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

3.11. Ethical Consideration

Ethics is about what is wrong against what is right or put differentially what distinguishes between acceptable and unacceptable behavior. Of key importance in the domain of research includes set standards particularly relating to respondents' independence, confidentiality, and honesty on the part of the researcher.

The following ethical considerations have given attention by the researcher and enumerators while conducting the research or collecting the data:

- Privacy of participants**: -** the privacy of the participants has been respected.
- Voluntary participation**: -** no participants were forced to take part in the research and participants were free to withdraw from the research at any moment.
- No harm to participants**: -**the researchers ensured that there is no physical or psychological harm done to the participants as a result of the study.
- Anonymity and confidentiality**:-**all information gathered during the study has been handled confidentially and permission from the participants was obtained for all information to be shared publicly.

☞ Not deceiving the subjects**: -** participants have informed clearly about the aim, purpose, and procedures of the study and was not deceived in any way.

3.12. Assumptions of Logistic Regression

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

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

3.13. Model Specification

In order to investigate the factors that determine loan repayment, the binary logistic regression model was used to examine the relation of each factor with loan repayment. This model was often used to approximate the mathematical relationships between explanatory variables and dichotomous dependent variable.

The binary logistic regression model was selected due to the nature of the dependent variable. If the dependent variable was categorical variable with only two categories (default & non-default valued as 0 & 1, respectively), binary logistic regression was appropriate.

The logit and the probit model yield similar parameter estimates, but the cumulative logistic regression model was preferred because of its comparative mathematical simplicity and more meaningful interpretation of odds ratio (Gujarati, 2004). Thus, the model is specified as follows:

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

The joint effects of all explanatory variables put together on the odds are

Odd = P / 1-P

Odds = P/1-P = $e^{\alpha + \beta 1X1 + \beta 2X2 + \ldots + \beta pXp}$……………………………..eq1

Log P/1-P = bσ + b1X1 X2 + b3X3 + b4 X4 + ……. +bnXn +μ

Taking the logarithms of both sides

Log {P/1-P} = log $^{\alpha + \beta 1X1 + \beta 2X2 + \ldots + \beta pXp}$……………………………….*eq2*

Legit P = α+β1X1+β2X2+...+βpXp…………………………………….*eq3*

Y = LogitP = β0 + β1(AG) + β2(MARST) + β3(MOL)+ β4(EDL) + β5(LRSD) + β6(FSZ) + β7(LSZ) + β8(TMLR) + β9(LNDV) + β10(LRS) + β11(LSV) + β12(VS) + β13(OSINC)+ β14(CSC) + β15(SHOK) + β16 (VS) +ei

WHERE:-

AG= Age of the borrower

MARST= Marital status of the borrower

MOL= Method of lending

EDL= Educational level

LRSD= Location of residence of the borrower

FSZ= Family size

LSZ= Loan size

TMLR= Timeline of loan repayment

LNDV= Loan diversion

LRS= Loan repayment schedule

AVTR= Availability of training

SPV= Supervision

OSFNC= other sources of income

CSC= Celebration of social ceremonies

ExShok= External Shock

VS= Voluntary saving

Y=1 is the probability that borrowers will pay back its loan

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

β1…16 are the coefficients of each of the independent variables

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

$Y = a + \sum_{i=1}^{K} \beta i Xi + \varepsilon I$……..…….*eq4*

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

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

The coefficients β1, β2, βp are such that the sums of the squared distance between the observed and predicted values (i.e. regression line) are smallest.

3.14. Definition of Variables and Its Expected Sign

3.14.1. Dependent Variable

The dependent variable was the estimated result of the independent variable being operated and whose value depends on the value of independent or explanatory variables. It measures to demonstrate the effect of the independent variable. In this study, the dependent variable is loan repayment (LR) for the nth borrowers (If LRn =1, borrowers, repaying the loan on time and LRn=0, borrowers do not repay the loan on time). The borrowers that did not repay the

amount of money they borrowed as per credit schedules are considered as defaulters (denoted by is zero). Likewise, borrowers that repaid the amount they borrowed per credit schedules are considered as non-defaulters denoted by one.

3.14.2. Independent Variables

The independent variable was normally the variable indicative of the value being manipulated or changed and used to explain the dependent variable. For the purpose of this study, the researcher would be included 16 independent variables assuming that it is best to explain the determinants of loan repayment performance of OMF borrowers. Performance of Loan Repayment Determinants in OMF Borrower - An Analysis

Age of Borrower (AGE): It is a continuous variable measured by a total number of years from the respondent's birth until the survey was conducted. The households' age is hypothesized to have a positive association with borrowers' loan repayment performance. As the age progress, borrowers' acquire experience, knowledge, stability, and honesty which in turn might help them to accumulate wealth over time which would enable borrowers to repay their debt in time than young borrowers. Jemal (2003) has indicated that age **positively** influences loan repayment performance.

Marital status (MARTS): It is represented by 1 if the respondent was married and 0 if the respondent was single. It is assumed that married households are more settled and responsible for social values than the rest of the groups. In addition, married persons believe that the consequence of their occupational performance is highly consequential as far as making a good family is concerned. Thus, it is hypothesized that married households can repay their loan more actively than singles.

Method of Lending (MOL): In group lending, there might be more group pressure for defaulters than individual lending. Measurement nominal Expected sign positive (More individual lending scheme, better loan payment performance)

Education level (EDL): This is a continuous variable measured by the level of formal education attainment. It is assumed that educated borrowers may acquire better knowledge in choosing a profitable business, could have better market information, and exposure to technologies. Thus, it is expected that it will have a positive impact on loan repayment. Chaudhary and Ishafq (2003)

found that borrowers with higher educational levels have a higher probability of repaying their loan.

Location of Residence of Borrowers (LRSD): This variable is a dummy capturing the fact that the borrower lives in rural or urban areas. Borrowers in rural areas are predominantly farmers. Loans extended for agricultural purposes are expected to face the problem of default because of risk and uncertainty attached to agriculture **(**Jemal, 2003). In addition, rural areas are limited by the difficulty of access, poor quality of infrastructures and limited local markets. Hence this variable is expected a negative sign.

Family Size (FSZ); it is a continuous variable and defined as the total number of household in the family and elsewhere that depend on the borrower for their livelihood, When a number of household increases, the borrower will need more money to fulfill their requirements in addition to the obligation of loan repayment. As a result, he/she may divert the loan to meet the needs of the dependents. Hence we expect this variable to have a negative impact on loan repayment.

Loan size (LSZ): It is a continuous variable measured by the total amount of money (in Birr) accessed as a loan from the cooperative. An efficient amount of loan which equals with the prepared business plan can create a conducive environment for the borrower to use it properly and repay it back. But, if the disbursed loan size is below or above the required, it will lead to the diversion of the resource to other activities or negligence respectively. Thus, this variable may have a positive or negative sign. Fantahun (2000) indicated that if the size of loan issued to a borrower is greater than his business plan cost, it is possible that the borrower might spend that part of the loan proceed which is in excess of what is required to cover his business costs. This, in turn, could affect repayment negatively.

Timeliness of loan release (TMLR): It is a dummy variable which takes 1 was timely released or disbursed on the right time which is a demand by the borrower and 0 was not timely released. It is expected that those loans which are disbursed on the right time will make the creditors gain profit from their business which in turn leads them to pay their loan on time. Jama and Kulundu (1992) reported also that late loan delivery was positively related to loan diversion and by implication resulted in low loan repayment performance.

Loan diversion (LND): Sometimes borrowers may divert the loan from the proposed business and use it for consumption. This type of activity may lead borrowers to be defaulters. It takes the value of 1 the loan was not diverted to consumption purpose and 0 the loan was diverted to consumption purpose. Belay (2002) found that loan diversion affects loan repayment negatively. In addition, Gerald and Deogratius (2013) have also concluded that loan diversion negatively influences loan repayment performance.

Loan repayment period or Schedule (LRS): It is a dummy variable which takes 1 if the loan repayment period is suitable and 0 otherwise. It is expected that suitable repayment period could help borrowers benefit from the loan finance properly, gain profit and pay the loan back on time. This variable is hypothesized to have a positive influence on loan repayment. Jemal (2003) found that this variable can positively influence loan repayment performance.

Availability of Training Facilities (TR): If the lender provides training facilities, the clients will be able to understand the rule and regulations easily. They also develop skill on how to do a business and money utilization (Fikirte, 2011). Pasha and Tolosa (2014) also agree on the importance of well-organized and sufficient training so as to improve loan repayment performance. Further, this variable is measured as a dummy variable taking the value 1 if the respondent attended training before taking the loan and 0 otherwise. It is expected to have a positive relationship with loan repayment.

Loan supervision (LSV): If there are a continuous follow-up and supervision visit to evaluate the loan utilization and repayment, this makes borrowers observe their obligation and improve the proper utilization of the loan thereby improving repayment performance. Therefore, we expect a positive relationship. Okorie (1986) regular visits by the loan officer to the borrowers' business site and higher profits generated by the borrowers also contributed to higher repayments by borrowers.

Voluntary saving (VLSV): A type of saving products exercised by saving and credit cooperatives in which members are invited to save money voluntarily, and allowed to withdraw it freely upon their request. It is a dummy variable which is represented by 1 if the respondent has voluntary saving and 0 otherwise. Those members who are involved in such activities can

easily pay their loan back from what they saved. Therefore, it is hypothesized that this variable positively influences loan repayment.

Other sources of income (OSINC): It includes any income gained from activities or sources other than the provided loan. Such sources of income are hypothesized to have a positive impact on loan repayment performance. It is a dummy variable which is represented by 1 if the respondent has agricultural type sources of income, business type sources of income and 3 monthly salaries or pension. Retta (2000) found the association between other income sources which were not financed by the loan finance and loan repayment was positive and significant.

Celebrating social Ceremonies of festivals (CSC): This is a continuous variable measured by the total amount of money spent (in Birr) on celebrating different types of social holidays like a wedding. This variable is hypothesized to have a negative impact on loan repayment as it is a nonproductive expense. Belay (2002) found that celebrating social festival can negatively influence loan repayment performance.

External Shocks (ExSho): It is a dummy variable in the model, which takes a value of 1 if shocks occurred and 0 otherwise. There are different types of external shocks (family emergencies, crop/income loss, and major social events) in the last 24 months, reported by the borrowers. Thus, risks occurred to the business or HH productions affect the income and repayment.

Table 3.4 Saving Products

Type of savings	Previous Interest	Current and New Interest	**Remark**
Borrower's compulsory saving	5%	7%	10% of the loan amount at the time of taking the loan is deducted followed by fewer amounts of regular savings thereon.
Individual borrower's voluntary savings	5%	7%	The amount depends on the capacity and willingness of the depositor

Source; - Survey result 2019

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION, AND DISCUSSION

4.1. Introduction

This chapter describes the interpretation and explanation of the findings of the research that are in line with the research question and objectives of the study. To achieve the above mentioned both descriptive and inferential statistics were used to respectively summarize and draw conclusions on the data.

4.2. Questionnaires Response Rate

Of the 277 questionnaires distributed, 260(94%) were returned dully filled, and 17(6%) were returned incomplete. A section of respondents was uncomfortable with the information that put them in bad light or in their view was private and confidential. This category of respondents, for instance, skipped questions on why they defaulted on the loan repayment, or their other sources of income if any. Altogether the 94% response rate through low, still is within the acceptable threshold, of course notwithstanding the fact that there seems to be a lack of consensus across disciplines on the question of acceptable response rate in research. The above-indicated response rate (96%) according to Mundy (2000) lies within reasonable margins, although not inside the brackets of what would be considered as good (80%) or excellent (90%). However going by the acceptable thresholds provided by Mugenda and Mugenda (2003), the above-given response rate of 94% lies with excellent margins (90 and above).

4.3. Results Presentation and Discussion

Tables showing frequencies and percentages were employed to condense the data in a manner that displays overall patterns of the sampled respondents. Since these cannot help us draw conclusions on the various variables, Chi-square was employed as the standard measure of establishing whether there is a significant association between the two groups that is, defaulters and non-defaulters as far as each of the independent variables is concerned.

4.3.1. Overall Loan Repayment Status

To know the loan repayment status of the respondents, they were to indicate in the questionnaire whether they have skipped scheduled loan repayment since they took the current loan. A binary outcome in which case 0 represent defaulters 1 non-defaulters, indicated that out of the 277 respondents 110(39.7%) defaulted, while the remaining 167(60.3%) non-defaulted

4.3.2. Demographic Characteristics and Loan Repayment Performance

According to these section respondents' demographic Characteristics are presented as shown in the table below and the statistical significance of each discussed. Among the characteristics discussed include Age of the borrower, Educational level of the borrower, marital status, of the borrower, Family size of the borrower, Location of residence, other sources of Income, Celebration of social ceremonies and External Shock.

Table 4.1: Demographic characteristics of respondents

Variables	Category	Frequency	Percentage	Valid percent
Age of Borrower	20-30 Years	26	9.4	10.0
	31-40 Years	100	36.1	38.5
	41-50 Years	92	33.2	35.4
	Above 51 Years	42	15.2	16.2
Marital Status	Married	158	57.0	60.8
	Single	102	36.8	39.2
Educational Level	Illiterate	30	10.8	11.5
	Grade 1-8	72	26.0	27.7
	Grade 9-12	93	33.6	35.8
	Above Grade 12	65	23.5	25.0
Location of residence	Urban	109	39.4	41.9
	Rural	151	54.5	58.1
Family Size	0-3	128	46.2	49.2
	4-6	113	40.8	43.5
	Above 6	19	6.9	7.3
Other Sources of Income	Agriculture-type sources of income	140	50.5	53.8
	Business type sources of income	93	33.6	35.8
	Monthly Salary or pension	27	9.7	10.4
Celebration of Social Ceremonies	No	160	57.8	61.5
	Yes	100	36.1	38.5
External Shock	No	159	57.4	61.2
	Yes	101	36.5	38.8

Source; Field Survey Result 2019

Table 4.1 in the above showed the distribution of respondents according to socio-economic characteristics. The majority (38.5%) of the respondents were within the age range of 31 - 40 years, whereas 35.4%, 16.2%and 10% were within the age brackets of 31 – 40, 41 – 50, above 51 and 20 - 30 years respectively. The implication is that youths dominated the sampled borrowers in the study and according to literature, this age class has common features of being motivational, risk-averse and adoptive individual for enhanced production and less prone to loan defaulting (Ibrahim and Aliero, 2012). However, this finding contradicted the works of Njoku, (1997) who opined that aged people are more trust worthy to live up to their promises of loan repayment than younger ones.

Table 4.1 revealed further that most of the respondents were married and accounted for about 60.8% of the total sampled borrowers. This was followed by a single (39.2%). Married people as asserted by Anozie, *et al.* (2014) are likely to incur extra expenditures for family livelihood from the loan, thereby threatening their loan repayment ability. Also, the majority (49.2%) of the respondents had household sizes of 0- 3, while the least (7.3%) had above 6 people. Large household size could be a source of cheap family labor especially during the peak of agriculture activities when the cost of hired labor is high. In this aforementioned scenario, such household head will have a high propensity to save lots of money that could have been used for hired labor and use it offset his/her loan (Kedir, 2007). In contrary, Ibrahim and Aliero, (2012) opined that large family size that comprises more of dependent population, the household head have more probability of being loan defaulters as such loan are often diverted to family welfare upkeep (Adams, 1998).

In addition, the majority (35.8%) of the respondents were educated, while only 11.5% were not educated. An educated borrower has the potentials of enhancing their agriculture and other business productivity and economic status through the adoption of new technologies. The money accruing from the sales of his/her outputs could be used to compensate for the loan (Osuntogun, 2012).

The Table moreover showed that 53.8% of the respondents had agricultural sources of income the next 35.8% business type sources of income the third and the last 10.4 % monthly salary and pension other sources of income. Studies showed that the other sources of income of borrower

increase as the repayment performance of the borrower increases and this correlates positively with repayment rate. This situation is capable of enhancing the borrowers' loan repayment ability as lots of money will be realized through sales of business and agricultural outputs (Kashuliza, *et al* 1993).

Besides, 61.5% of the respondents were not a celebration of social ceremonies, while 38.5% were borrower celebrate social ceremonies. Celebrations of social ceremonies increase the expenditure of the borrowers so the loan amount will be diverted to other unintended purposes. There for the celebration of social ceremonies decreases the loan repayment rate unless and otherwise if there are no other sources of income.

Besides, 61.2% of the respondents were not an external shock, while 38.2% were borrowers had an external shock. The external shock will increase the expenditure of the borrowers so the loan amount will be diverted to other unintended purposes. There for external shock decreases the loan repayment rate.

4.4. Results presentation and Discussion

Tables showing frequencies and percentages were employed to condense the data in a manner that displays overall patterns of the sampled respondents. Since these cannot help us draw conclusions on the various variables, Chi-square was employed as the standard measure of establishing whether there is a significant association between the two groups that is, defaulters and non-defaulters as far as each of the independent variables is concerned.

4.4.1. Descriptive statistics result

Descriptive statistics analysis is made use of tools such as mean, percentage, standard deviation, and frequency distribution. In addition, T-test and Chi-square test statistics were employed to compare defaulter and non-defaulter group in terms of each explanatory variables.

4.5. Demographic and Socio-Economic Characteristics

The demographic distribution, socio-economic characteristics and institutional characteristics of the respondents such as gender of the borrower, age of the borrower, marital status, method of lending, level of education, family size, loan size, loan repayment schedule, availability of

training, loan supervision and advisory visits, distance from omo microfinance service center, other sources of income, business experience, celebration of social ceremonies, external shock, voluntary saving and other variables related to loan repayment (defaulters and non-defaulters) were analyzed using descriptive statistics.

In this study, from the total population of 980 Omo microfinance borrower, 277 samples of borrowers were interviewed from selected six kebeles (4 rural and 2 urban) of the Hadiya zone. According to the survey result, the total number of borrowers in sample 126 (45.49%) are from the urban borrowers and 151 (54.51%) are from the rural borrowers of OMFI. From the total sample respondents, 194(74.61%) are non-defaulter while 66(25.39%) defaulters beside this, from the total respondents only 99(38.08%) of the total sample are female, the rest 161(61.92%) are male.

4.6. Performance of Loan Repayment by Each explanatory Variables

As tabulated table 4.2 below, among the 260 sample respondents, majority 100(38.5%) of loan borrower lie in the 31-40 years age, followed by 92(35.4%), 41--50 years age, 42(16.2%) above 51 years age and 20-30 years 26(10%) in that order. A further investigation into the repayment rate of each age bracket was carried out and the results are as follows.

As the table data indicated that the loan borrowers of age group 31-40 years, 41-50 years and above 51 years age each with the default rate of 11.9%, 17.7% and also 6.9% respectively have the highest default rates compared to those in the other age brackets that are 20-30 years 5.8%. Since there were only conclude that emerged the best loan payer's 5.8% default rate, although notably, this group is so small that it is unfeasible to make a concrete conclusion on its traits. Overall, the association between loan repayment performance and age group was found to be statically significant with Pearson Chi-square 9.995, and P-value 0.019 at more than1% significance level.

Table 4.2 Performance of Loan Repayment by Age of Borrower

Age of the borrower * Loan Repayment Performance Cross tabulation							
How old are you on your last birthday?			Loan Repayment Performance		Total	Chi-square	P-value
			Defaulters	Non-Defaulters			
Age of the borrower	20-30 Years	Count	15	11	26	9.995	.019
		% of Total	5.8%	4.2%	10.0%		
	31-40 Years	Count	31	69	100		
		% of Total	11.9%	26.5%	38.5%		
	41-50 Years	Count	46	46	92		
		% of Total	17.7%	17.7%	35.4%		
	Above 51 Years	Count	18	24	42		
		% of Total	6.9%	9.2%	16.2%		
Total		Count	110	150	260		
		% of Total	42.3%	57.7%	100.0%		

Source; Field Survey Result 2019

On marital status, the survey indicated that the majority of sample respondents 158(60.80%) are married, while 102(39.20%) are single. The low number of single clients can be attributed to a many of reasons including minimal financial obligation, luck of physical collateral, not being a member in an organized group, or even possibility that they are denied loans due to their less predictable geographical mobility which increase loan collection risk. Table 4.3 below gives an overview of loan repayment performance and marital status.

According to the below table 4.3 comparing the married and single it is notable that while the 73(28.1%) of single defaulted only 37(14.2%) of the married defaulted on the contrary from the sample respondents 121(46.5%) of the married non-defaulter, 29(11.2%) of the single non-defaulter. This implies that the married borrowers are better on loan repayment performance possibly as proposed by Haile (2015), the married have more access to information and resources, and hence higher loan repayment capacity. These findings present the single as a higher risk group in loan repayment compared to the married. Nonetheless, there is a possibility that the results of loan repayment and marital status could be done to mere chance. This conclusion is informed by a Pearson chi-square test 58.875, P-Value 0.000 at less than 1% significant level. It is so rights to submit that there is a statistically significant association between loan repayment performance and marital status.

Table 4.3Performance of Loan Repayment by Marital Status

Marital status * Loan Repayment Performance Cross tabulation							
What about your marital status?			Loan Repayment Performance		Total	**Chi-square**	**P-value**
			Defaulters	Non-Defaulters			
Marital status	Married	Count	37	121	158	58.878	.000
		% of Total	14.2%	46.5%	60.8%		
	Single	Count	73	29	102		
		% of Total	28.1%	11.2%	39.2%		
Total		Count	110	150	260		
		% of Total	42.3%	57.7%	100.0%		

Source; Field Survey Result 2019

Under this section, as the test statistics show Table 4.4below method of borrowing is significant at less than 1% level the result shows that for the group and individual borrowers there was a different result in the defaulter and non-defaulter. On the basis of method of borrowing, from the total sample respondents the majority 124(47.7%) group borrowers were non-defaulters and 30(11.5%) were defaulters, while individual lending from the total sample size 26(10.0%) were non-defaulters and 80(30.8%) were defaulters (Table 4.4). Regarding the loan repayment status of the clients, from this result in terms of loan repayment status group borrowers are better than individual borrowers to pay the loan successfully. This result also indicated to ensure repayment, peer pressure and joint liability work very well especially in the rural-urban area, (Table 4.4) below. This conclusion is informed by a Pearson chi-square test 75.360, P-Value 0.000 at less than 1% significant level. This statistic result indicates or implies that there is an association between the method of lending and loan repayment performance.

Table 4.4Performance of Loan Repayment by Method of Lending

Method of Lending * Loan Repayment Performance Cross tabulation							
What is your method of lending?			Loan Repayment Performance		Total	**Chi-square**	**P-value**
			Defaulters	Non-Defaulters			
Method of Lending	Group	Count	30	124	154	80.641	.000
		% of Total	11.5%	47.7%	59.2%		
	Individual	Count	80	26	106		
		% of Total	30.8%	10.0%	40.8%		
Total		Count	110	150	260		
		% of Total	42.3%	57.7%	100.0%		

Source; Field Survey Result 2019

According to the level of Education, table 4.5 below indicates that out of the total sample respondent majority of respondent 30(11.5%) have never attended secondary school, a revelation which raises the question of the ability of such respondents to understand training on loan terms, loan obligations and calculation of remaining balance after each payment. Unless one is able to understand and perform the necessary calculations indicated above, doubt is cast on his literacy.

Going by the definition of UNESCO (2006), "a person is literate when he can engage in all those activities in which literacy is required for effective functioning of his loan group and community and also for enabling him to continue to use reading, writing, calculation for his own and the community's development." In view of the above-stated definition, in the research persons who did not attend secondary school education were treated as functionally illiterate particularly in the area of manipulated skill. The above explanation all about the illiterate omo microfinance clients but the study data was split in to illiterate, Grade 1-8, Grade 9-12 and Above Grade 12. The repayment rates of the four groups are as indicated in table 4.5 below.

The table below shows that out of the total sample respondents (260)- 30, 72, 93 and 65 were functionally illiterate, Grade 1-8, Grade 9-12 and above Grade 12 respectively, both Grade 1-8, and above grade 12 defaulted by 66(25.4%) and 44(16.9%) respectively defaulted and the remaining that means the illiterate and Grade 9-12 0(0%) defaulted. Overall, the results posted a Pearson Chi-square 179.227 and P-value 0.000 at less than 1% significant level, leading to the conclusion that there is a statistically significant association between education level and loan repayment performance. This confirms the perspective of the opinion of Gebremedhin (2010) that higher education level enables borrowers to comprehend more complex information, keep business, records, conduct basic cash flow analysis, and make the right business decision. Hence, borrowers with a higher level of education may have higher loan repayment rates rather than the lower level.

Table 4.5 Performance of Loan Repayment by Educational level

Crosstab							
What about your level of education?			Loan Repayment Performance		Total	**Chi-square**	**P-value**
			Defaulters	Non-Defaulters			
Educational Level of Borrower	Illiterate	Count	0	30	30	179.227	.000
		% of Total	0.0%	11.5%	11.5%		
	Grade 1-8	Count	66	6	72		
		% of Total	25.4%	2.3%	27.7%		
	Grade 9-12	Count	0	93	93		
		% of Total	0.0%	35.8%	35.8%		
	Above Grade 12	Count	44	21	65		
		% of Total	16.9%	8.1%	25.0%		
Total		Count	110	150	260		
		% of Total	42.3%	57.7%	100.0%		

Source; Field Survey Result 2019

According to table 4.6 below, On the basis of the location of residence, 16.5% urban borrowers were non-defaulters and 25.4% were defaulters, while rural borrower 41.2% were non-defaulters and 16.9% were defaulters. From this result, in terms of loan repayment status, rural borrowers are better than urban borrowers. This result indicated to ensure repayment; peer pressure and joint liability work very well in rural.

Table 4.6Performance of Loan Repayment by Location of residence

Crosstab							
Location of your residence?			Loan Repayment Performance		Total	**Chi-square**	**P-value**
			Defaulters	Non-Defaulters			
Location of residence	Urban	Count	66	43	109	25.590	.000
		% of Total	25.4%	16.5%	41.9%		
	Rural	Count	44	107	151		
		% of Total	16.9%	41.2%	58.1%		
Total		Count	110	150	260		
		% of Total	42.3%	57.7%	100.0%		

Source; Field Survey Result 2019

According to family size, Children are often viewed as consumers, not producers. As such, family size becomes an important demographic characteristic to weigh in that persons with bigger families are more likely to seek credit services due to many financial demands of the

individual members thereof. Similarly, it would be expected that often than not such clients will default more considering that their earnings may not competition the many demands of the large family. An added financial obligation will only make an already bad situation worse.

The findings indicated that most sample respondents 128(49.2%) had 0-3 children followed by those with 113(43.5%) had 4-6 children. Those with 19(7.3%) had above 6 children. Table 4.8 below tabulates the loan repayment rate of each individual category.

From the table 4.7 below considering each group separately, comparing the group, those with 19(7.3%) had above 6 children are likely to default more than those with 113(43.5%) had 4-6 children and 128(49.2%) had 0-3 children as indicated by their comparative default percentage of 28.8%, 0%, and 36.7% respectively. It is surprising that clients with 0-3 children defaulted more 49.2% than those with 4-6 children (43.5%). Possibly there is a chance that the latter (those with 4-6 children) have fewer dependents considering that some of the children may already be working and contributing toward loan settlement among other financial obligations.

This perspective consistent with the finding of Wonganaa and Victor (2013), however, considering the data without regarding specific instances, overall there is no pattern suggesting that successful loan performance dependents on a number of children. It is no wonder that the goodness of fit statistics gave a Pearson chi-square 38.907 and P-value 0.000 at less than 1% significance level indicating that there is a strong association between Family size and loan repayment performance.

Table 4.7Performance of Loan Repayment by Family Size Borrower

Crosstab							
A number of Your family size?			Loan Repayment Performance		Total	**Chi-square**	**P-value**
			Defaulters	Non-Defaulters			
Family size of the borrower	0-3	Count	61	67	128	38.907	.000
		% of Total	23.5%	25.8%	49.2%		
	4-6	Count	30	83	113		
		% of Total	11.5%	31.9%	43.5%		
	Above 6	Count	19	0	19		
		% of Total	7.3%	0.0%	7.3%		
Total		Count	110	150	260		
		% of Total	42.3%	57.7%	100.0%		

Source; Field Survey Result 2019

According to table 4.8 below the loan size out of the total sample borrower was 113(43.5%) up to 5,000birr Loan size, the second 74(28.5%) from 5001-10,000 birr loan size, the last and the third one is 73(28.1%) above 10,000 birr loan size. From this 93 sample, respondents are defaulter up to 5000birr loan size, 74 sample respondents are non-defaulter from 5001-10,000birr loan size and 91 sample respondents are non-defaulter above 10,000birr loan size. From this study the researcher implied the loan size of the clients increase better to run the business activity and expand the existing business or start the new business as well finally paid the loan successfully. This conclusion is informed by a Pearson chi-square test 134.413, P-Value 0.000 at less than 1% significant level. This statistic result indicates or shows that there is an association between Loan size and loan repayment performance. This implies the amount of loan released was enough for the purposes intended the loan has a positive impact on the borrower's capacity to repay.

Table 4.8Performance of Loan Repayment by Loan size

Crosstab							
Did you receive the amount you had requested?			Loan Repayment Performance		Total	**Chi-square**	**P-value**
			Defaulters	Non-Defaulters			
Loan size	Up to 5000	Count	93	20	113	134.413	.000
		% of Total	35.8%	7.7%	43.5%		
	5001-10000	Count	3	71	74		
		% of Total	1.2%	27.3%	28.5%		
	Above 10000	Count	14	59	73		
		% of Total	5.4%	22.7%	28.1%		
Total		Count	110	150	260		
		% of Total	42.3%	57.7%	100.0%		

Source; Field Survey Result 2019

From table 4.9 below Timelines of Loan Released refers to as loans which are disbursed on the right time or not to the microfinance borrower. The table or the SPSS output results show from the total sample respondents 135(51.9%) said was not timely loan released, from this 66(25.4%) defaulted and 69(26.5%) non-defaulted. From the total sample respondent, 125(48.1%) respondents said the loan was timely released, from this 44(16.9%) defaulted and 81(31.2%)

non-defaulted. The result shows the omo microfinance was not timely released the loan to the borrower due to these the defaulted rate is higher than the non-defaulted rate. This conclusion is informed by a Pearson chi-square test 4.983 P-Value 0.026 at less than 5% significant level. This statistic result indicates or shows that there is an association between Loan diversion and loan repayment performance. This implies the amount of loan released was not timely released for the borrower. The loan has a positive impact on the borrower's capacity to repay.

According to table 4.9 below comparing the Timelines of loan released, 135(51.9%) the loan was not timely released, from this 66 (25.4%) defaulted and 69 (26.5%) non-defaulted. according to timely released 125(48.1%), the loan was timely released, from this 44(16.9%) defaulted and 81(32.2%) non-defaulted. As per the response on the timeliness of loan release, 51.9% and 48.1% replied was not timely released and was a timely released answer respectively. The difference between the two groups was statistically significant at less than 5% level. That means Chi-square is 4.983 and P-value 0.026. It is so rights to submit that there is a statistically significant association between loan repayment performance and marital status.

Table 4.9 Performance of Loan Repayment by Timelines of Loan Released

Crosstab							
Loan released on time?			Loan Repayment Performance		Total	**Chi-square**	**P-value**
			Defaulters	Non-Defaulters			
Timelines of Loan Released	Was not Timely Released	Count	66	69	135	4.983	.026
		% of Total	25.4%	26.5%	51.9%		
	Was Timely Released	Count	44	81	125		
		% of Total	16.9%	31.2%	48.1%		
Total		Count	110	150	260		
		% of Total	42.3%	57.7%	100.0%		

Source; Field Survey Result 2019

As shown in Table 4.10 below shows borrowers may divert the loan from the proposed business and use it for consumption. According to the SPSS output result from the total sample respondents 132(50.8%) the loan was not diverted to the consumption purpose and the remaining 128(49.2%) the loan was diverted to consumption purpose, from 132(50.8%), 30(11.5%) shows defaulted and 102(39.2%) non-defaulted, from 128(49.2%), 80(30.8%) defaulted and 48(18.5%) non-defaulted. These indicated the microfinance clients the majority loan was not diverted to the

consumption or unintended purpose. This conclusion is informed by a Pearson chi-square test 42.116, P-Value 0.000 at less than 1% significant level. This statistic result indicates or shows that there is an association between Loan diversion and loan repayment performance. This implies the amount of loan released was not diverted to consumption.

Table 4.10 Performance of Loan Repayment by Loan Diversion

Crosstab							
Do you spend the entire loan for purposes specified in the loan agreement?			Loan Repayment Performance		Total	**Chi-square**	**P-value**
			Defaulters	Non-Defaulters			
Loan diversion	The loan was diverted to consumption purpose	Count	80	48	128	42.116	.000
		% of Total	30.8%	18.5%	49.2%		
	The loan was not diverted to consumption purpose	Count	30	102	132		
		% of Total	11.5%	39.2%	50.8%		
Total		Count	110	150	260		
		% of Total	42.3%	57.7%	100.0%		

Source; Field Survey Result 2019

This section presents and discusses findings on the association between loan repayment schedule and loan repayment performance. Two repayment schedule aspects were considered, one is the suitability and the other one is unsuitability of the loan repayment schedule. Table 4.11 below shows results on the association between loan repayment and duration of payment suitability, in which case loans with repayment spread within a year are treated as short term, medium term and considering long term the suitability and unsuitability of repayment schedule depends on loan terms. According to Table 4.11 below from the total sample respondents 56(21.5%) are suitable and 204(78.5%) unsuitable loan repayment schedule from the total 260 unsuitable 106(40.8%) defaulted and 98(37.7%) non-defaulted and the next suitable 52(20.0%) non-defaulted and 4(1.54%) are defaulted. From this implied the loan repayment period is not suitable to compare to unsuitability. The loan is not successfully paid, this shows the default rate will be high and the non-default rate is low. This conclusion is informed by a Pearson chi-square

test 137.541, P-Value 0.000 at less than 1% significant level. This statistic result indicates or implies that there is an association between repayment schedule and loan repayment performance.

Table 4.11 Performance of Loan Repayment by Loan Repayment Schedule

Crosstab							
Did you think that the loan schedule is appropriate for you to pay back?			Loan Repayment Performance		Total	**Chi-square**	**P-value**
			Defaulters	Non-Defaulters			
Loan repayment schedule	Otherwise	Count	106	98	204	36.159	.000
		% of Total	40.8%	37.7%	78.5%		
	Suitable	Count	4	52	56		
		% of Total	1.5%	20.0%	21.5%		
Total		Count	110	150	260		
		% of Total	42.3%	57.7%	100.0%		

Source; Field Survey Result 2019

The study, however, found out that training, which has been built into supervision programs of the institution including visitation in homes, business premises, and small groups does not impact loan repayment. This judgment is based on the results posted in table 4.12 below

One would have expected the default rate between those who were trained and otherwise to be significantly different. However, as shown in table 23below the default and non-default rate among the borrower is different. Out of 260 respondents, 165(63.5%) were trained and 95(36.5%) were not trained. Among those how were not trained 110(42.3%) unsuccessfully repaid their loans while 150(57.7%) of those trained repaid loan successfully. At 5% significance level, this narrow variation is reflected by the Pearson Chi-square test result of 0.693 and P-value 0.405, meaning that there is no probability that there is a statistically significant association between availability of training and loan repayment performance. Interpret further this means that there is a 40% possibility that the above-stated results could occur by chance or put differently as a result of random distribution.

This finding is confusing and contrary to the findings of other researchers including Yunus (2016). Several factors, however, can explain away this state of affairs. To begin with, in spite of

the provision of training, the poor are many times, especially during famine seasons, extremely pressed by immediate consumer needs that no training will persuade them not to borrow even when natural knowledge tells them that it is unwise to do so. Secondly, unless training is relevant, on target, addressing the real issue in real time, it is less than helpful. Thirdly, earlier in the study, it was discovered that most of the respondents were functionally illiterate.

Table 4.12Performance of Loan Repayment by Availability of Training

Crosstab							
Did you get any training before receiving the loan?			Loan Repayment Performance		Total	**Chi-square**	**P-value**
			Defaulters	Non-Defaulters			
Availability of training	No	Count	37	58	95	.693	.405
		% of Total	14.2%	22.3%	36.5%		
	Yes	Count	73	92	165		
		% of Total	28.1%	35.4%	63.5%		
Total		Count	110	150	260		
		% of Total	42.3%	57.7%	100.0%		

Sources: Survey results, 2019

Table 4.13 below shows the adequacy of Loan supervision and advisory visits made by loan officers to groups and individual clients, to reduce the default rate and also maximize the non-defaults rate. The table below shows, from the total sample respondents 196(75.4%) inadequate supervision and 64(24.6%) adequate supervision and visited. These indicated the microfinance officers do not supervise and visited the clients sufficiently or adequately, from this the result represents there is a high default rate and low non-default rate. The chi-square test carried out for the frequency of visits by loan officers revealed a chi-square statistics of 62.259 and a P-value of 0.000 at less than 1% significant level. This statistic result indicates or implies that visitation may assist borrowers to get regular consultation and follow up to strengthen their income generating activities there is a strong relationship between Loan supervision and advisory visits and Loan repayment performance.

Table 4.13Performance of Loan Repayment by Loan Supervision and Advisory Visited

Crosstab							
Have you ever been supervised for Loan Repayment by OMFI staffs?			Loan Repayment Performance		Total	**Chi-square**	**P-value**
			Defaulters	Non-Defaulters			
Loan supervision and advisory visits	Otherwise	Count	110	86	196	62.259	.000
		% of Total	42.3%	33.1%	75.4%		
	Adequate	Count	0	64	64		
		% of Total	0.0%	24.6%	24.6%		
Total		Count	110	150	260		
		% of Total	42.3%	57.7%	100.0%		

Sources: Survey results, 2019

According to Table 4.14belowWith regard to the information from an interview that the researcher held with an official of OMFI in the Hadiya Zone Hossana district and Anlemo district, one of the objectives of OMFI is the mobilization of saving and allocation of resources for productive purposes. This is supposed to be undertaken by encouraging clients to save their surplus other than borrowers' compulsory saving. When we see the impact of voluntary saving on loan repayment, the survey summary in Table 4.14indicates that respondents from the total sample respondents who are not saving more than the compulsory saving, 110 are defaulters while 150 are non-defaulter borrowers. On the other hand, from the total respondents who are voluntarily saving, 110(42.3%) and 150 (57.7 %) are found to be defaulters and non-defaulter borrowers respectively. From this one can understand that individuals who are voluntarily saving have a positive impact on loan repayment.

This conclusion is informed by a Pearson chi-square test 38.165, P-Value 0.000 at less than 1% significant level. Interpreting the output:-"Pearson’s Chi-square" has a significance of 0.000. Hence we can reject the null hypothesis with a significance of 0.000. Involuntary saving: There is clear evidence/ Strong evidence of dependence between voluntary saving and Loan repayment performance. The chi-square test(X2) shows the association between loan repayment and voluntary saving has become very strongly significant at (p-value of 0.000).

Table 4.14Performance of Loan Repayment by Voluntary Saving

Crosstab							
Did you save money voluntarily in the OMFI?			Loan Repayment Performance		Total	**Chi-square**	**P-value**
			Defaulters	Non-Defaulters			
Voluntary Saving	No	Count	53	20	73	38.165	.000
		% of Total	20.4%	7.7%	28.1%		
	Yes	Count	57	130	187		
		% of Total	21.9%	50.0%	71.9%		
Total		Count	110	150	260		
		% of Total	42.3%	57.7%	100.0%		

Sources: Survey results, 2019

According to table 4.15.below, the regression result shows from the total sample respondents 140(53.8%) agricultural type sources of income, the next 93(35.8%) business type sources of income and the last 27(10.4%) monthly salary or pension sources of income.

The association between other income sources which were not financed by the business and loan repayment was negative and significant at less than 1% level indicating that borrowers who had no other alternative source of income were found to be not better payers relative to those who did have other sources of income. These results do not support the hypothesis and comply with the result obtained on the descriptive analysis. In addition, the result is inconsistent with the findings of Retta (2000) and Brehanu and Fufa (2008).

Table 4.15Performance of Loan Repayment by Other Sources of Income

Crosstab							
What are the main sources of your family income?			Loan Repayment Performance		Total	**Chi-square**	**P-value**
			Defaulters	Non-Defaulters			
Other sources of income	Agriculture-type sources of income	Count	39	101	140	49.750	.000
		% of Total	15.0%	38.8%	53.8%		
	Business type sources of income	Count	44	49	93		
		% of Total	16.9%	18.8%	35.8%		
	Monthly Salary or pension	Count	27	0	27		
		% of Total	10.4%	0.0%	10.4%		
Total		Count	110	150	260		
		% of Total	42.3%	57.7%	100.0%		

Sources: Survey results, 2019

As of the study celebration of social ceremonies includes like wedding, religious festivities, funeral, and happy birthday and engagement. According to table 4.16 below, from the total sample, 160(61.5%) has not celebrated any social ceremonies at their village while 100(38.5%) has celebrated at least one social ceremony. 150(57.7%) of non-defaulters were not celebrating any ceremonies while and use the loan for the intended purpose. 110(42.3%) of the defaulters celebrated social ceremonies during the last two years. This shows the intended loan diverted to for consumption or unintended purposes. The result showed that the average amount of money spent on social ceremonies was smaller for defaulters than non-defaulters. As expected, social ceremonies have not affected the loan repayment rate negatively and significantly, Pearson Chi-square 158.836, P-value 0.000 (P<0.05). Each additional unit spending on social ceremonies decreased the loan repayment by 0.220. The result of this study was in complete agreement with the result obtained by Belay (1998). Interpreting the output: - "Pearson's Chi-square" has a significance of 0.000. Hence we can reject the null hypothesis with a significance of 0.000. In celebrating social ceremonies: There is clear evidence/ Strong evidence of dependence between the Celebration of social Ceremonies and Loan repayment performance.

Table 4.16Performance of Loan Repayment by Celebration of Ceremonies

Crosstab							
Did you celebrate social ceremonies in 2018/19 fiscal year?			Loan Repayment Performance		Total	**Chi-square**	**P-value**
			Defaulters	Non-Defaulters			
Celebration of Social Ceremonies	No	Count	110	50	160	119.167	.000
		% of Total	42.3%	19.2%	61.5%		
	Yes	Count	0	100	100		
		% of Total	0.0%	38.5%	38.5%		
Total		Count	110	150	260		
		% of Total	42.3%	57.7%	100.0%		

Sources: Survey results, 2019

According to the SPSS output result, borrowers were also asked about the different shocks like family emergencies, crop/income loss due to natural calamities and other shocks occurred within the repayment period. Out of the total borrowers, 101(38.8%) confirmed that there was a shock that occurred to their family and affected their repayment. However, 159(61.2%) of the

borrowers did not face shocks within the stated period. As shown in Table 4.18 below, from the total sample defaulted borrowers that reported shocks were 87(33.5 %).

From table 4.17 below considering among the 194 non-defaulter sample respondents, majority 136(52.3%) have no any external shock, 14(5.4%) have an external shock. Among those from the total sampled respondents 260 external shock 110(42.4%) unsuccessfully repaid their loans. This shows the loan is diverted to unintended purpose while 150(57.7%) of those have no external shock repaid loan successfully. This conclusion is informed by a Pearson chi-square test 129.993, P-Value 0.000 at less than 1% significant level. This statistic result indicates or implies that there is an association between external shock and loan repayment performance.

Interpreting the output: - "Pearson's Chi-square" has a significance of 0.000. Hence we can reject the null hypothesis with a significance of 0.000. In external shock: There is clear evidence/ Strong evidence of dependence between the External shock and Loan repayment performance.

Table 4.17 Performance of Loan Repayment by External Shocks

Crosstab							
Have you ever faced shocking year 2018/2019?			Loan Repayment Performance		Total	**Chi-square**	**P-value**
			Defaulters	Non-Defaulters			
External Shocks	No	Count	23	136	159	129.993	.000
		% of Total	8.8%	52.3%	61.2%		
	Yes	Count	87	14	101		
		% of Total	33.5%	5.4%	38.8%		
Total		Count	110	150	260		
		% of Total	42.3%	57.7%	100.0%		

Sources: Survey results, 2019

4.7. Challenges and difficulties

4.7.1. Internal and External challenges of the institution

The most typical challenges faced by any microfinance institution are a credit risk. Moreover, the cost of debt collection per loan amount is, on average, higher than in formal intermediation, especially in developing countries lending (Vento 2004). In addition to this OMFI as an institution have many internal and external challenges, such as Internal challenges:

According to branch manager currently, OMFI is facing internal and external problems. Some of the internal problems are - Shortage of loanable funds for further expansion, High turnover of employees to other organizations, they are mainly attracted by better salary scales and benefits provided by these organization. Compared to the government organization salary scale of the institution is higher. But the problem is that OMFI's employees are attracted by the private commercial banks and NGOs, there is not enough employees in the institution specially loan officers, all activities in the institution done manually /don't use computerized system insufficient working place/office in most of service delivery posts, staff of the institution where share one office with the employees of other government organization, Poor documentation External challenges: Competition- there is very strong competition faced with conventional banks in mobilization of savings and increasing withdrawal. People trust formal banks especially commercial bank of Ethiopia. Moreover, the other sources of competition are NGO's, women's fund and other institutions who give loan without interest, improper interference of the third party in the decision of loan approval. In this regard, Norell (2001) also reported that if the loan is given without the proper evaluation of the business, the default rate may increase.

According to Sub Branch managers the most typical challenges faced by any microfinance the institution is;- activities in the institution are done manually or without an available computer access, not enough employees in the institution mainly in the loan department, borrowers think the loan as government gift and giving false certification for borrowers in kebeles level(without considering the ability to pay)

According to Loan officer say that "In my opinion, one of the factors which affect loan repayment performance is the lack of motivation of workers. I am working in this office more

than three years in my stay time; there is no salary improvement as well as scholarship chance. Even if this institution does not apply BSC, so our future is not good. So we are not volunteers to collect and provide service according to standards, no measurement at all. In addition to this, no training is given by the institutions and workload on the employee. During my supervision time, some borrowers believe loan as a gift of government, have no plan to repay and they ask loan without lending interest rate".

Table 4.18 -Institutional Factors by the respondent

Institutional Factors	Rural Borrower	**% age**	Urban	% age
Shortage of loan able fund	21	14	8	7.27
Lack of knowledge of loan officers	22	15	11	10
Lack of honest of loan officers	11	7.28	6	5.50
Un availability of grace period	23	15.33	18	16.51
Insufficient training is given by the institutions	23	15.33	14	12.84
They do not provide the necessary information like interest rate	11	7.28	8	7.27
Poor customer handling especially the manager of the services delivery center	18	11.92	14	12.84
Weak in following up to retrieve loans and on business	4	2.65	16	14.68
Third party services tend to interfere with their primary services because employees, become busy especially the cashier	17	11.26	15	13.76
Total	150	100	110	100

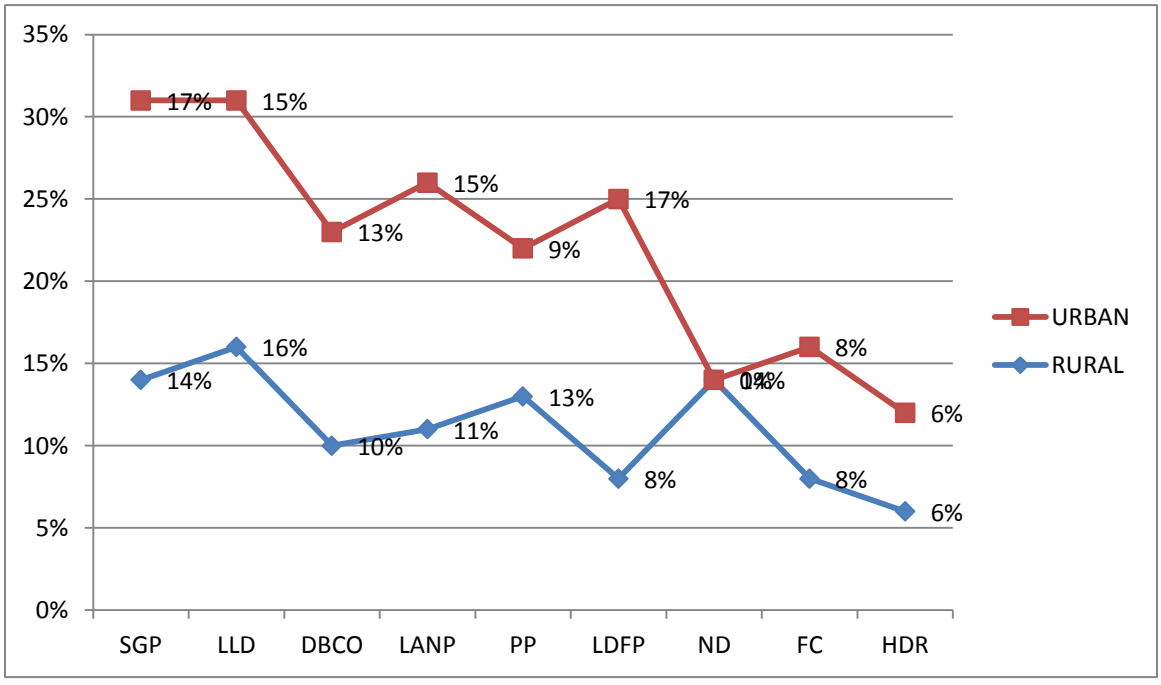
Source; Field Survey Result 2019

Table 4.19 Borrower's Responses on Main Reasons for Default

Reasons For Default in Urban and Rural	Defaulters In Urban and Rural (83)				
	Rural (47)		Urban (36)		
	In No.	In %	In No.	In %	Total
Due to Shortage of grace period (**SGP)**	9	14	8	17	17
Lag of loan disbursement (**LLD)**	10	16	7	15	17
Diverting borrowed capital to other (**DBCO)**	6	10	6	13	12
Loan activity was not profitable (**LANP)**	7	11	7	15	14
Personal problem (like sick) (**PP**)	8	13	4	9	12
Lack of demand for production (**LDFP)**	5	8	8	17	13
Natural Disaster **(ND**)	9	14	0	0	9
Family celebration (wedding, birth, etc (**FC**)	5	8	4	8	9
Due to high deduction rate(Service charge, Involuntary saving, and other miscellanies deduction) **(HDR)**	4	6	3	6	7
Total	63	100	47	100	110

Source; Field Survey Result 2019

Figure4.1 Borrower's Responses on Main Reasons for Default



Source; Field Survey Result 2019

Table 4.20 Problems Related with the Business Activities

Type of business activity	**Problems related to the business**	Rural (47)		Urban (36)		Total
		X1 In. No	**X2 %**	**X3 In. No**	**X4 %**	X1 + X3
Agriculture	Declining of Sales	21	33			21
	Increase in input price	26	41			26
	Lack of knowledge	16	26			16
	Total	63	100			63
Commercial	Declining of Sales			6	37	6
	Increase in input price			7	44	7
	Lack of knowledge			3	19	3
	Total			16	100	16
Enterprise	Declining of Sales			5	28	5
	Increase in input price			9	50	9
	Lack of knowledge			4	22	4
	Total			18	100	15
Service	Declining of Sales			4	31	4
	Increase in input price			6	46	6
	Lack of knowledge			3	23	3
	Total			13	100	13

Source; Field Survey Result 2019

CHAPTER FIVE
ECONOMETRIC ANALYSIS AND RESULTS

5.1. Introduction

In this section, various kinds of model tests and econometric analysis to identify demographic, socio-economic and institutional characteristics of the respondents that determine loan repayment performance of borrowers will be described quantitatively.

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

5.2. The Goodness-of-Fit Model

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

Table 5.1 the Goodness-of-Fit Model

Omnibus Tests of Model Coefficients				
		Chi-square	df	Sig.
Step 1	Step	342.524	16	.000
	Block	342.524	16	.000
	Model	342.524	16	.000

Source; Field Survey Result 2019

From the above Table to test the measure of goodness of fit in logistic regression analysis, the chi-square was computed and showed that the model was significant at 1% significance level. Consequently, the null hypothesis stating the coefficients of independent variables to be equal to zero was rejected and the alternative hypothesis of the non-zero slope was accepted. The value is given in the Sig. the column is the probability of obtaining the chi-square statistic given that the null hypothesis is true. In other words, this is the probability of obtaining this chi-square statistic

(342.524) if there is, in fact, no effect of the independent variables, taken together, on the dependent variable. This is, of course, the p-value, which is compared to a critical value, perhaps .05 or .01 to determine if the overall model is statistically significant. In this case, the model is statistically significant because the p-value is less than 5 %.

Table 5.2 The classification table A and B

Classification Table[a,b]					
	Observed		Predicted		
			Loan Repayment Performance		Percentage Correct
			Defaulters	Non-Defaulters	
Step 0	Loan Repayment Performance	Defaulters	0	110	.0
		Non-Defaulters	0	150	100.0
	Overall Percentage				57.7
a. Constant is included in the model.					
b. The cut value is .500					

Classification Table					
	Observed		Predicted		
			Loan Repayment Performance		Percentage Correct
			Defaulters	Non-Defaulters	
Step 1	Loan Repayment Performance	Defaulters	106	4	96.4
		Non-Defaulters	98	52	34.7
	Overall Percentage				60.8
a. The cut value is .500					

Source; Field Survey Result 2019

The other measure of goodness-of-fit in the logistic regression model was checked by observing the value in the prediction table to verify whether the model correctly predicted it or not. The fit is said to be good if the overall correct prediction rate exceeds 50% (Shewhart and Wilks, 2013). Classification table is a simple tool which indicates how good the model is at predicting the outcome variables. To characterize our model as use full, to compare the overall percentage accuracy rate produced SPSS version 20.0 classification table at step"0" and at step"1" or overall %(Table 4.8). Accordingly, the result indicated that the overall accuracy rate computed by SPSS at step"0" was 57.7% and the accuracy rate computed by SPSS 20.0 at step"1" was 60.8% were correctly predicted at the cut value of 0.5; and overall. Hence, the criteria for classification accuracy are satisfied. Generally, the higher the overall percentage of correct predictions in this case 95.8percent shows the fitted binary logistic regression model.

5.2.1. The Multi-co linearity

Multiple correlations are a measure of the degree of association between dependent and all the independent (explanatory variables) jointly (Gujirati, 2004). The analysis was meant to first, indicate whether variables were correlated or not. If variables are not correlated then using several simple regressions or one multiple regression models could give the same results (Dougherty 2006 as cited Yonas, 2012). The main aim of conducting correlation is whether multicollinearity is strong enough to invalidate the simultaneous inclusion of the explanatory variables in regressions. According to Gujarati, (2004) multicollinearity could only be a problem if the pair-wise correlation coefficient among regressors is above 0.80 and according to Hailer et al, 2006 *cited in* Birhanu, (2012) Multicollinearity could only be a problem if the pair wise correlation coefficient among regressors is above 0.90 which is not more or less in the case of this study variables.

Thus, prior to running the logistic regressions model both the continuous and discrete explanatory variables were checked for the existence of multicollinearity. Two measures are often suggested to test the presence of multicollinearity. These are Variance Inflation Factor (VIF) for association among the continuous explanatory variables and contingency coefficients for dummy variables. The technique of Variance Inflation Factor (VIF) through STATA software was employed to detect the problem of multi-co-linearity for both discrete and continuous explanatory variables. According to Gujarati (2003), VIF can be defined as

$$\text{VIFi} = \quad 1/\left(1 - \quad Ri2\right)$$

Where, VIFi = Variance Inflation Factor and

Ri2 is the square of multiple correlation coefficients between Xi and the other explanatory variables. The larger the value of VIFi the more collinear the variable Xi is. As a rule of thumb, if the VIF of a variable exceeds 10, it is often taken as a signal for the existence of a multi-colinearity problem in the model.

As Table 19 clearly shows, no value of the VIF was found to be greater than 10 revealing the non-existence of serious multi co-linearity problem among all the explanatory variables.

Table 5.3.Variance Inflation Factor of all explanatory variables

Coefficients								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.200	.108		-1.845	.066		
	Age of the borrower	.076	.021	.135	3.600	.000	.500	2.000
	Marital status	.053	.046	.052	1.158	.248	.348	2.871
	Method of Lending	.055	.049	.054	1.115	.266	.297	3.369
	Educational Level of Borrower	.052	.028	.101	1.837	.067	.233	4.293
	Location of residence	.042	.080	.042	.519	.604	.109	9.154
	Family size of the borrower	.108	.035	.136	3.038	.003	.351	2.848
	Loan size	.124	.032	.209	3.931	.000	.249	4.017
	Timelines of Loan Released	-.240	.061	-.243	-3.917	.000	.184	5.447
	Loan diversion	.407	.074	.412	5.469	.000	.124	8.060
	Loan repayment schedule	.500	.064	.416	7.859	.000	.251	3.980
	Availability of training	.004	.028	.004	.132	.895	.979	1.021
	Loan supervision and advisory visits	.244	.064	.213	3.786	.000	.224	4.472
	Voluntary Saving	-.113	.073	-.103	-1.554	.121	.160	6.247
	Other sources of income	-.159	.037	-.217	-4.263	.000	.272	3.671
	Celebration of Social Ceremonies	.220	.048	.216	4.558	.000	.313	3.193
	External Shocks	-.255	.061	-.251	-4.147	.000	.192	5.202
a. Dependent Variable: Loan Repayment Performance								

Sources survey result (2019)

5.3. Finding of the Binary Logistic Regression Result

This part presents the empirical findings from the econometric results on the factors affecting the loan repayment performance of some microfinance institutions in Hadiya Zone. The section covers the operational panel data regression model used and the results.

Operational model: The specific panel fixed regression model used to study the determinants of financial performance was:

$$Y = \text{LogitP} = \beta0 + \beta1(GR) + \beta2(AG) + \beta3(MARST) + \beta4(MOL) + \beta5(EDL) + \beta6(FSZ) + \beta7(LSZ) + \beta8(LRS) + \beta9(AVTR) + \beta10(SPV) + \beta11(DIS) + \beta12(OSFNC) + \beta13(BUEX) + \beta14(CSC) + \beta15(ExSho) + \beta16(VS) + e$$

Table 5.4 Estimate of a Logistic Regression Model for Loan repayment performance of Omo Microfinance Institutions in Hadiya Zone

		B	S.E.	df	Z	P> IZI	Exp(B)
Step 1[a]	AG	16.908***	1284.482	1	3.600	.000	22031590.053
	MARST	.435	3849.527	1	1.158	.248	1.546
	MOL	33.846	2775.222	1	1.115	.266	500003820369925.250
	EDL	18.257*	1766.745	1	1.837	.067	84898622.389
	LRSD	32.825	8720.149	1	.519	.604	180203911209445.400
	FSZ	136.270***	11781.386	1	3.038	.003	1.518E+059
	LSZ	85.593***	6896.029	1	3.931	.000	1.488E+037
	TMLR	-69.401***	9345.598	1	-3.917	.000	.000
	LNDV	.785***	5176.297	1	5.469	.000	2.193
	LRS	.270***	5607.499	1	7.859	.000	.763
	ATR	1.792	1.479	1	.132	.895	.167
	LSV	4.316***	10476.450	1	3.786	.000	74.899
	VS	-15.843	9735.333	1	-1.554	.121	.000
	OSINC	-138.295***	9967.340	1	-4.263	.000	.000
	CSC	1.795***	5845.627	1	4.558	.000	6.022
	SHOK	-16.882***	3783.361	1	-4.147	.000	21470725.637
	Constant	-.200	.108	1	-1.845	.066	.000

a. Variable(s) entered on step 1: AG, MARST, MOL, EDL, LRSD, FSZ, LSZ, TMLR, LNDV, LRS, ATR, LSV, VS, OSINC, CSC, and SHOK.

Pseudo R2= 0.732

Log pseudo likelihood = '11.734

Wald chi2(16) = 342.524

Prob > chi2 = 0.0000

Number of observation = 277

***** Significant at 10% level

******* Significant at 1% level

Source; Field Survey Result 2019

5.4. Discussion of the Results of regression output

Age of the borrowers; Looking at the non-defaulter borrowers' parameters estimate, the age of the borrowers has a positive relationship with loan repayment and statistically significance at 1% level. This implies that as the age of the borrower increases it is least likely to fall under the default category. This was in line with a priori expectation. That is, the age of the borrower is believed to be positively related to loan repayment performance. This is because, with an increase in age, the borrower may acquire stability as well as a business experience (Vigano, 1993). Relatively older borrowers are assumed to be credit conscious and risk avert due to social and personal characteristics than younger borrowers. This was contrary to the view that credit institutions might be willing to give loan facility to young and active farmers who are more likely to adopt new innovations than the older farmers (Oladeboo, 2008)

Educational Level of Borrowers; According to table 5.4, the educational background of borrowers was also found to be positive and significant at less than 10%. That is those educated borrowers have a higher chance of loan repayment. This is consistent with many findings. Educated borrowers are assumed to have more exposure to the external environment, to be familiar with risk management and skills and knowledge through training. Education increases borrowers' ability to get information, a more educated borrower is expected to use the loan effectively as compared to a less educated one. Borrower who has attended, primary, secondary or tertiary level education has a lower chance of falling under the default category and increases the probability of being under good credit risk category (Ibid).

Therefore, under ceteris paribus assumption educated borrowers will be expected to settle their loan timely than illiterate borrowers or clients.

This shows the hypothesized role of education in raising the level of awareness, exposure to technologies, and information to borrowers. This result is consistent with the descriptive statistics result and the findings of Abreham (2002) but inconsistent with that of Retta (2000).

Family Sizes; the Family size of the respondents entered the model with a positive sign and it was statistically significant at 1% which indicates that family size impacts positively on the loan repayment performance of borrowers in the study area. And this will be contrary to the expected sign and the assumption of a borrower who has a large family size may divert some of the

borrowed intended funds to unintended purposes for the household consumption. Furthermore, the study of Michael (2006) shows that the number of dependents in the household was not found to be statistically significant.

This shows or implies the hypothesized role of family size is large and the dependency ratio is higher most of the household income may be used for food consumption. This result is inconsistent with the descriptive statistics result and the findings of Jemal (2003), and Fikirte (2011) but consistent with that of Abrham (2002).

Loan Sizes; According to table 5.4, the loan size of borrowers was also found to be positive and significant at less than less than1%. That is those have sufficient loan size borrowers have a higher chance of loan repayment. This is consistent with many findings.

The result shows that loan size has a positive relationship with loan repayment performance. From this study respondent borrowers who enough loan size was paid their default. Practical the loan size is smaller than the requested amount for the intended purpose, it leads to diversification of loan to another purpose. The variable was positively and significantly affects the repayment performance at less than 1% level, the result implies, providing borrowers with the required amount of finance can significantly reduce the possible repayment problems that may be encountered due to under or over the financing of the Omo microfinance clients. The result is consistent with Mengistu(1997), Bekele et al. (2005) but inconsistent with the findings of Teferi(2000), Jemal(2000), and Brhanu(1999), and Chirwa (1997) come up with insignificant results.

Timeliness of loan release (LMLR); According to table 5.4, the timeliness of loan release of borrowers was also found to be negative and significant at less than less than1% influence on loan repayment performance of the respondents.

The variable is significantly affecting the repayment performance at 1% level. The impact is higher in seasonal loans especially agricultural loans. According to the institution regulation, borrowers should get requested the amount of money within the requested time. In this study above >1 month consider as a delay of loan release. Hence it was found to be positively related to loan repayment performance, consistent with prior expectation.

The other interpretation increasing timelines of loan release by one year or month cause to decrease the loan repayment by 69.401. As it was hypothesized, it affected the loan repayment performance negatively. Its implication is those loans which are not disbursed on the right time will not make borrowers gain profit from their business which in turn leads them to pay their loan on time. The result was not similar to what was hypothesized and its descriptive result.

Loan diversion (LND); According to table 5.4 in the above, the binary logistic regression coefficient beta variable was positive 0.785 and associated with loan repayment performance, this variable that adversely and significantly at less than (1%) influenced loan repayment performance. This confirms that for the study period loan diversion has a positive relationship and the loan diversion increase by one birr cause to increase the loan repayment performance by 0.785 birr. This indicated there was loan diversion. Borrowers who have diverted the loan to the intended purpose were found to be non-defaulters. This is due to the productive and income generating role of purpose. The implication is those borrowers who are diverting the loan finance to intended purpose will face an additional of finance to be engaged in income generating activities which finally leads them to be non-defaulters. The result is similar to Mengistu(1997) but inconsistent with the hypothesis but Jemal (2003) come up with a contrasting result.

Loan Repayment Schedule (LRS); From the institutional specific factors, loan repayment schedule or loan repayment period found positive and significant at less than 1% level. It refers to the time period during which the entire loan must be repaid. It was predicted that suitable loan repayment period is positively correlated with loan repayment performance because it was assumed that if borrowers find the repayment period suitable, they can utilize the loan proceeds effectively for the intended purpose than those who regard the period of repayment unsuitable.

The odd ratio of 0.763 for suitability of loan repayment period indicates the probability of loan repayment increases by 0.763 times higher for borrower found suitable loan repayment period as compared to borrowers who did not found suitable repayment period. Similarly, the coefficient effect of 0.270 shows that keeping other factors constant, the probability of loan repayment increases by 27% for borrowers that found suitable loan repayment period as compared to those who didn't find suitable repayment period. Therefore, the research hypothesis which says "as the suitable loan repayment period is set for borrowers, the probability of loan repayment increases"

is accepted at less than 1% level of significance. Thus, it is possible to conclude that those borrowers who seek suitable repayment period were found to be good performers in loan repayment as compared to those borrowers who do not find suitable repayment period.

Loan supervision (LSV): According to table 5.4 in the above, the binary logistic regression coefficient beta variable was positively associated with loan repayment performance. This has come to have a positive effect on loan repayment performance of the Omo microfinance borrowers. It was significant at less than 1% or in other interpretation increasing loan supervision by one times cause to increase the loan repayment by 4.336 birr. This result supports the hypothesis. It implies as if there are a continuous follow-up and supervision visit to evaluate the loan utilization and repayment, this makes borrowers observe their obligation and improve the proper utilization of the loan thereby improving repayment performance. The result is consistent with the study results of Jemal (2003), Retta (2000), and Okorie (1986).

Other source of Income (OSINC); According to table 5.4, the other sources of income of borrowers was also found to be negative and significant at less than 1%. That is borrowers have no other sources of income lower chance of loan repayment. Availability of other sources of finance has been included in the estimation and it was found to be positively related to loan repayment performance, consistent with prior expectation. (Table 5.4) reveals that 150(58%) non-defaulter of the respondents have other sources of income before getting a loan from OMFIs, while the reaming 110(42%) the defaulters have no other source of income before getting a loan. Hence the result shows that other sources of income have related to loan repayment positively. The economic model result revealed that borrowers have other sources of income before the loan was repaid the loan than borrowers without other sources of income. This finding is consistent with the finding in (Jemal, 2003 and Fikirite, 2011).

Celebration of social Ceremonies (CSC): According to table 5.4, the binary logistic regression coefficient beta variable was positive 1.795 associated with loan repayment performance and significant at less than (1%) in positive influencing loan repayment performance of the respondents, in the other interpretation increasing celebration of social ceremonies by one birr causes to increase the repayment performance by 1.795 birr. The implication for this result is, as these types of expenses are expenses that are spent on income-generating activities which do

have a direct relation in making the borrower earn income, it may reduce the resources of the borrowers including the accessed loan finance. Any diversion of the loan finance to these types of expenses could lead borrowers to face a problem in repaying the loan back. The result was similar to what was hypothesized and its descriptive result. The result is inconsistent with the study results of Belay (2002).

External shock; There are different types of shocks (family emergencies, crop/income loss, and major social events) that disturb the borrower business activity. Thus, risks occurred to the business or household productions affect the income and repayment.

According to table 5.4, the coefficient beta variable was found negative 16.882 to be significant at less than (1%) in negative influencing loan repayment performance of the respondents. This result shows that increasing external Shock in one in number as a type of shock cause to decreasing the loan repayment performance by 16.882 birr it is an indication that the negative relationship with loan repayment status of the borrowers. This implies the external shock can be affecting the loan repayment performance of the lending institution.

The implication for this result is, as these types of expenses are spent on income-generating activities which do have a direct relation in making the borrower earn income, it may reduce the resources of the borrowers including the accessed loan finance. Any diversion of the loan finance to these types of expenses could lead borrowers to face a bottle neck in repaying the loan amount back.

TABLE 5.5. HYPOTHESES AND RESULTS OF SIGNIFICANT DEPENDENT VARIABLES

Dependent Variables	Symbol	Expected Sign/Hypotheses	The result from Binary Logistic Regression Model
Age of Borrower	AG	+ (high experience and progress of age, high loan repayment performance)	β of 16.908; the positive association between age and loan repayment of MFIs' borrowers
Educational Level	EDL	+ (high education level, high loan repayment performance)	β of 18.257; the positive association between education level and loan repayment of MFIs' borrowers
Family Size	FSZ	- (high family size, high probability of loan repayment performance	β of 136.270; the positive association between family size and loan repayment of MFIs' borrowers
Loan Size	LSZ	+ (High loan amount, high the probability of loan repayment performance)	β of 85.593; the positive association between loan size and loan repayment of MFIs' borrowers
Timelines of loan repayment	TMLR	+ (Timely released or disbursed, high loan repayment performance)	β of -69.401; the negative association between timelines of loan repayment and loan repayment of MFIs' borrowers
Loan diversion	LNDV	+ (Loan is used for the intended purpose, High loan repayment performance)	β of 0.785; the positive association between loan diversion and loan repayment of MFIs' borrowers
Loan Repayment Schedule	LRS	+ (Suitable loan period, high loan repayment performance)	β of 0.270; the positive association between loan repayment schedule and loan repayment of MFIs' borrowers
Loan Supervision and Advisory visited	LSV	+ (Loan supervision and advisory visited, high loan repayment performance)	β of 4.316; the positive association between supervision and loan repayment of MFIs' borrowers
Other Sources of Income	OSINC	+ (high income from other sources of financing, high loan repayment performance)	β of -138.295; the negative association between other sources of income and loan repayment of MFIs' borrowers
Celebration of Social Ceremonies	CSC	-(high expenditure on social festivals, low probability of loan repayment performance)	β of 1.795; the positive association between the celebration of social ceremonies and loan repayment of MFIs' borrowers
External Shock	ExSHOK	-(high expenditure on external shock, low probability of loan repayment performance)	β of -16.882; the negative association between external shock and loan repayment of MFIs' borrowers

Source: own construct [2019]

CHAPTER SIX

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATION

6.1. Introduction

This chapter presents conclusions and recommendations based on the analysis made in the previous chapter. The chapter will focus on the meaning of the findings, what actions should be taken in light of the results. It will be presented here whether the findings in general or in part confirmed the hypothesis and how they related to the objectives of the study which as indicated in chapter one where, establishing the influence of demographic characteristics, institutional characteristics and Socio-economic characteristics on loan repayment performance. At the end of the chapter, recommendations for policy and suggestions for further research will be presented.

6.2. Summary of the study

Now a day, poverty becomes a major problem in many developing countries. In these countries, poverty is severed which has left millions of people out of basic needs for survival. In Ethiopia, there are many poor people living in rural and urban areas. The accessibility of financial services plays an important role in creating self-employment opportunities for the majority of the low-income population. The main problem of the weak performance of financial institutions in many developing countries is the high rate of non-repayment of the loan. The default rate of Omo microfinance institution is increasing from time to time. This study was intended to identify the determinants of loan repayment performance of omo microfinance institution in Hadiya Zone districts. In spite of the key role that microfinance plays, its acquisition and repayment are fraught with a number of problems, the major being loan default. Factual to this assertion, from the total sample respondents of 277 borrowers, the study found out 47(16.97%) defaulter and 69(24.90%) non-defaulter sample urban borrower and 63(22.74%) defaulter and 98(35.38%) sample rural borrowers, totally 110(39.71%) of sample respondents did not promptly repay their loans that means defaulted respondents. At the beginning of the research the three characteristics, demographic characteristics, institutional characteristics, and Socio-economic characteristics, were hypothesized as contributing to this high rate of default. Under each of these three explanatory indicators were considered and tested using SPSS version 20 cross tabulation Pearson Chi-square and P-value.

According to the researcher study, a number of factors were found to have a bearing on loan repayments. In agreement with the prediction that demographics characteristics influence loan repayments, the study found that every demographics characteristic is significant determining loan repayment performance. The significant level which is posted a p-value of 0.000 is age, a celebration of social ceremonies and external shock, loan diversion, other sources of income, the educational level at P-value 0.067 significant level and also family size at P- value 0.003, The study there for concluding that there is statistically very strong evidence or association of a relationship with loan repayment performance. In agreement with the prediction that institutional characteristics influence loan repayments, the study found that every institutional characteristic is significant determining loan repayment performance. The significant level which is posted a p-value of 0.000 is loan size, loan repayment schedule, timelines of loan released, loan supervision and advisory visited, at P-value 0.000, as the concrete conclusion that shows there is very strong evidence of a relationship with loan repayment performance. As much as there was some association loan repayment and Availability of Training, and, the association was found to be statistically insignificant with each of these posting P-value of Availability of training 0.895. According to the prediction that Socio-economic characteristics also influence loan repayments, the study found that every Socio-economic characteristic is significant determining loan repayment performance. The significant level which is posted a p-value of 0.000 is other sources of income, the conclusion that shows there is very strong evidence of a relationship with loan repayment performance.

6.3. Conclusions of the study

According to the study, this research paper examines the demographic, socio-economic and institutional factors that affect the loan repayment performance of small and micro enterprises entrepreneurs who borrowed from Omo microfinance Credit and Saving Institution. For the analysis purpose both descriptive and econometric methods were employed.

According to the outputs of binary logistic regression model done by the SPSS version 20 age, education level, family size, loan size, loan diversion, loan repayment schedule, loan supervision and advisory visited, and celebration of social ceremonies are positively related to loan repayment performance, whereas timelines of loan released, other sources of income and

external shocks have negative association with loan repayment. This study similarly evidenced that, other variables such as marital status, method of lending, location of residence; voluntary saving and availability of training were not significant determinants of loan repayment performance of borrower's Omo Microfinance institutions.

Microfinance has been accepted not only as a financial mean to target specific people who excluded from the formal financial system to gain access to sources of financing, but it understands also a social aspect contributing to poverty reduction, women empowerment, economic development, and employment creation. In order to survive negative shocks and maintain good financial stability, the financial managers and policy maker should identify the key loan repayment performance determinants of OMFIs. Because of this, the current study uses both primary and secondary data to investigate the repayment performance of OMFI and repayment determinants on the loan repayment performance of OMFIs. To attain this objective the researcher began by reviewing the literature, also applied to unite theories in order to test theories and then identified factors affecting loan repayment performance that could apply to the empirical data. The uniting theory was important for joint liability in the repayments of microfinance loans. The aim of this theory is to improve repayment rates and the welfare of credit-constrained borrowers. In joint liability, when one borrower cannot repay a loan, group members are responsible to repay for one of their members if he or she defaults to pay for his or her monthly installment. After collecting this data, the researcher formed a basic sample of 277 OMFIs borrower in Southern region Hadiya Zone. Subsequently, the researcher processed and analyzed the data gathered to test the model and clarify the determinants of loan repayment performance of OMFIs in Ethiopia Southern region of Hadiya Zone district.

Therefore it can be concluded that age group above 31 years, higher education level, large family size, timely loan released, loan diverted to intended purpose, suitable loan repayment schedule, adequate loan supervision and advisory visited, large amount of loan applied or loan size, agriculture and business type sources of income, celebration of social ceremonies without loanable fund, low external shock and longer duration of business result in increased loan repayment and vice versa. However an increase in married borrowers, individual method of lending, urban location of residence, decreasing voluntary saving and decreasing availability of training leads to more loan default and vice versa.

6.4. Recommendations to Concerned body

⇒ The concerned body should have clear and effective credit or lending policies and procedures and must be regularly reviewed.

⇒ The concerned body especially the credit supervisor should check with credit officers daily to ensure that policies are followed and the supervisor must respond quickly to solve credit officers' problems.

⇒ The researcher recommends to the concerned body to show the direction in order to use ICT/ core banking system to microfinance institution for effective and efficient financial services to the clients.

⇒ The researcher recommends to the concerned body that to create an enabling environment by lowering the interest rate and by supporting microfinance institution with credit to lend to its members.

⇒ Recommend the concerned body to minimize the default rate should be Quick follow-up after a missed payment, Regular visits to homes and businesses of clients, Adequate and proper appraisal, Proper client selection, and Group lending, use of third-party guarantee among others are the major measures to control or minimize default/delinquency.

⇒ Recommend the concerned body to design strong strategy for control or minimize default/delinquency by categories the clients as willing and able to repay, willing but unable to repay, unwilling but able to repay, and unwilling and unable to repay.

⇒ Recommend the lender institution considering to enhance post-disbursement monitoring system, technical assistance given to the microfinance recipients, to assign experienced field workers, Establish a common or provide common accessible database of the microfinance recipients, purchasing of equipment and limit the amount of cash disbursement, provide Strong training system for recipients and field workers of MFIs, Motivational programs for recipients, Motivational programs and salary increment for staff worker in order to reduce employee migration.

⇒ Recommend implementing the concept of Islamic micro-finance for the majority of Muslim society as a bank.

⇒ **According to the age of borrowers,** 41-50 years age group has more defaulters compared to another age group. It is not recommended to exclude this age groups but the institution should give special attention to those borrowers by providing training before and after disbursement, Regular visits to homes and businesses of clients, Quick follow-up after a missed payment, and supervision. It will have a positive impact on loan repayment

⇒ **According to Education levels,** grade 1-8 level borrowers default than others. Illiterate's borrowers are by chance better loan repayment rate than others. Such borrowers did not receive formal education and are likely to have inadequate knowledge of loan usage and loan management, thereby making them unable to repay the loans, institution should provide short and long term awareness creation training with special attention to rural clients, providing strategic plan for continuous supervision, monitoring and evaluation system and Management and credit officers need to pay attention to details.

⇒ **According to family size:** The number of family size 0-3 defaulters compared to others. This shows the borrower divert the loan for consumption purpose. It is not recommended to reject these household group the only mechanize the lender should provide Quick follow-up after a missed payment, Regular visits to homes and businesses of clients, Adequate and proper appraisal,

⇒ **According to loan size:** The loan size up to 5000 birr highly defaulted compared to others. It is not recommended to exclude this group the only way is the lender should be provided Training before and after disbursement, adequate loan sizes, Timely disbursement of the loan, Flexible payment terms, Reasonable interest rate, Monitoring of clients among others.

⇒ **According to the timeliness of loan release:** Timely credit service by omo microfinance institution support borrowers to use the loan in an appropriate way and perceived importance of loan by the borrowers and accelerates the chance of the repayment of the loan at the proper time. Therefore, lending institutions have to provide the loan on time when the borrowers need.

⇒ **According to Loan diversion;** once the loan finance is diverted to productive purposes or intended purpose, it would not be difficult for the borrower to repay the loan back. Most of the time, such happens due to the change of existing business for maximizing profit, demand of the product, declining of sale and increasing input price. Therefore, the trend should be effective and efficient by employing different awareness raising activities such as trainings

and experience sharing so that they can better to use the loan properly and they repay the loan on time.

⇒ **According to the loan repayment schedule:** The lending institution is not providing suitable repayment schedule for all loan beneficiaries so recommended the institution should providing Flexible payment terms, business or Project-specific repayment schedule, and Motivational programs for recipients.

⇒ **According to loan supervision and advising,** was visited the majority clients because the majority are non-defaulter but for the defaulted part recommend the lender provide strong Regular visits to homes and businesses of clients, and proper monitoring and evaluation. There are large numbers of borrowers who are able but unwilling to repay. So the institution should identify those unwilling clients and peruse legal action or inform the community and influential persons of unwilling defaulters.

⇒ **According to the other sources of income:** Being engaged in different types of income generating activities increases once income level thus awareness creation should be given to borrowers before and after loan disbursement to diversify their income and the required accesses should be arranged by government and other stakeholders.

⇒ **According to the celebration of social ceremonies;** this has come to have a positive impact on loan repayment performance of the borrowers. Celebrating social ceremonies need many financial resources, which are beyond what the borrowers could afford finally leading them to be defaulters. Most of the time, such happens due to social, personal and cultural problems. Therefore, even if a positive impact on loan repayment performance of the borrowers; awareness creation activities should be done through different mechanisms so that loan financed can be used to the intended purpose and repaid back on time.

⇒ **According to the external shock;** this has come to have a negative impact on loan repayment performance of the borrowers. External shocks need many financial resources, which are beyond what the borrowers could afford finally leading them to be defaulters. Most of the time, such happens due to family emergencies, crop/income loss, and major social events. Therefore, awareness creation activities should be done through different mechanisms so that loan financed can be used to the intended purpose and repaid back on time.

6.5. Suggestions for Additional Research

This study inspires further and comprehensive research into the interconnection between various demographic, economic, institutional factors, cultural, loan and other relevant factors, and loan repayment performance of borrowers in general. Also, there may be a need to test if there is some sort of association between loan repayment and the purpose of borrowing. Additionally, this study has focused on certain variables related to the determinants of loan repayment performance of borrowers. As indicated in the delimitations section of the study, the study chose a limited path of the factors influencing the loan repayment in the southern region of Ethiopia Hadiya Zone omo microfinance districts. In the course of the study, it emerged that loan repayment performance is actually not the only problem surrounding omo microfinance as an entity. One of such other problem is the question of whether omo microfinance really helps the poor or it only plunges them deeper into poverty. This, therefore, remains one of the areas where more considerable attention is required. Secondly, as pointed out in the research, one of the ways of facilitating high-frequency repayments is by making provision for borrowers to pay their loans. More research is required to find out the impact information technology has made on loan repayment among microfinance loan consumers in rural and urban areas. A key point here is whether such consumers, the majority of who are illiterate can competently take full advantage of such platforms without being exposed to the risks thereof.

Table:comparison of various studies findings on determinants of loan repayment performance from																			
Author	Area/ Institution Studied	Methodology Employed	Sample Size	Sampling Procedure		Findings on the variables used (sign and significance)													
					X1	X2	X3	X4	X5	X6	X7	X8	X9	X10	X11	X12	X13	X14	X15	X16
Mengistu (1997)		Tobit	757		+			+				-				-/+		-*		
Berhanu (1999)	POCSSBO in A.A.	Tobit	241	2 stage SRS	+*			+			-*					+		+*		
Retta (2000)	WFCs in A.A	Tobit	130	SRS (Simple Random Sampling)	-			-*			–					+*		+		
Teferi (2000)	DECSI in Tigray	Tobit	251	2 stage SRS	-			+*			-*					+		+*		
Abreham (2002)	DBE Borrowers in Zeway	Tobit	102	Stratified	-			+*		+										
Jemal (2003)	OCSSCO in Kuyu	Logit	203	SRS (Simple Random Sampling)	+			+*		-	-*					+*		+*		
(Fikirte, 2011)	AdCSI Addis Credit and Saving	binary logit mode	200	SRS (Simple Random Sampling)	-*			-		-	+*			+*		+				

	Institution	l																	
(Tiroro, 2019)		binary logit model	260	Stratified Random Sampling	+*	+	+	+*	+	+*	+*	-*	+*	+*	+	+*	-	-*	+*	-*

Source; Field survey result (2019)

**** shows significant of variables***

Where:-			
X1	Age	X10	Loan repayment schedule
X2	Marital status of the borrower	X11	Availability of training
X3	Method of Lending	X12	Supervision and Advisory Visited
X4	Educational Level	X13	Voluntary Saving
X5	Location of residence of the borrower	X14	Other sources of income
X6	Family Size	X15	Celebration of social ceremonies
X7	Loan Size	X16	External Shock
X8	Timeline of loan Released		
X9	Loan Diversion		

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ANNEX A

ADIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

MSC PROGRAM IN ACCOUNTING AND FINANCE

TOPIC: DETERMINANTS OF MICROFINANCE LOAN REPAYMENT PERFORMANCE: CASE OF OMO MICROFINANCE (OMFI) IN HADIYA ZONE

STRUCTURED QUESTIONNAIRE

INFORMED CONSENT

Dear Respondent,

Good morning/good afternoon. Thank you for your interest in talking with me today. I am Adugna Tiroro. The purpose of my visit is to ask you some questions related to the determinants of microfinance loan repayment performance. Your cooperation in providing genuine information is vital for my study. Your name will not be written on this form, and will never be used in connection with any of the information you tell me. I would greatly appreciate your help in responding to the interview. The interview will take 25-35 minutes. Would you be willing to participate?

Agree [ ] Disagree [ ]

Respondent and Area Identification

Ser. No	Topic	Responses
1	Questionnaire #	
2.	Name of District	
3	Name of Kebele	
4	Date of interview	
5	Category of the respondent (circle only one answer)	A-Defaulter B-Non Defaulter C-Both
Section 1. Individual Background		
1	Sex of the respondent	1. Male 2. Female
2	How old are you at your last birth day?	
3	Your Marital status	1. Married 2. Unmarried/Single 3. Divorced 4. Widowed
4	Your family size	1. Under age 10_____ 2. 11 to 15 years_____ 3. 16 to 64 years_____ 4. Above age 64_____
5	Can you read and write?	1.Yes 2.No
6	If yes, **What was the Educational level**	1. Illiterate 2. Grade 1-8 3. Grade 9-12 4. Above grade 12
7	What is your main livelihood/Occupation?	
8	Gender of the household head (if different from borrower's)	1. Male headed household 2. Female headed household
9	Experience in Loan use	1. Formal Loan _____yrs 2. Informal Loan _____yrs
10	How long since you have been started business (in year)?	
Section 2. Source of Income		
1	What are the main sources of your family income?	
2	What is the estimated value of your assets currently (this is excluding livestock)?	1. Below Birr 5,000 2. Between Birr 5,001-8, 000 3. Between Birr 8,001- 10,000 4. Between Birr 10,001-12,000

<table>
<tr><td></td><td></td><td>5. Between Birr 12,001-14,000
6. Above Birr 14,000</td></tr>
<tr><td>3</td><td>Do you have livestock currently?</td><td>1. Yes 2. No</td></tr>
<tr><td>4</td><td>Kind and Number of livestock</td><td>1. Oxen _____
2. Calves _____
3. Cows _____
4. Donkey _____
5. Goats _____
6. Sheep _____
7. Horse _____
8. Others _____</td></tr>
<tr><td>5</td><td>Did/do you have your own land?</td><td>1. Yes 2. No</td></tr>
<tr><td>6</td><td>How many hectares of your own land?</td><td></td></tr>
<tr><td>7</td><td>When did you join your lending institution? (OMFI)</td><td></td></tr>
<tr><td>8</td><td>How much money you requested and received in loan from OMO MFI?</td><td><table><tr><th>Loan Year</th><th>Received</th><th>Requested</th></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr></table></td></tr>
<tr><td>9</td><td>For what purpose the loan was taken?</td><td>1. Purchase of farm oxen
2. Purchase of agricultural inputs
3. Fattening
4. Petty trade
5. Other (specify)_____</td></tr>
<tr><td>10</td><td>Did you receive the amount you had requested?</td><td>1. Yes 2. No</td></tr>
<tr><td>11</td><td>If say No for Question No.10 ‘Why?’</td><td>1. Deduction for saving
2. Deduction for service charge
3. Others (Specify) _____</td></tr>
<tr><td>12</td><td>Indicate the amount deducted in birr.</td><td></td></tr>
<tr><td>13</td><td>Did you spend the entire loan for purposes specified in the loan agreement?</td><td>1. Yes 2. No</td></tr>
<tr><td>14</td><td>State those non-intended purposes and the amount spent on them</td><td><table><tr><th>Purpose</th><th>Amount Spent (Birr)</th></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr></table></td></tr>
</table>

15	What was/were the reason(s) for spending part/entire loan on 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. Market problem 4. To repay another loan 5. To make a more profitable business 6. Other (specify) _____
16	Did you get Loan service on time from OMO MFI?	1. Yes 2. No
17	What was the impact of the delay?	
18	Did you get Loan from informal sources?	1. Yes 2. No
19	**How much** did you get in Birr?	
20	What is your source of informal Loan?	1. Money lenders 2. NGO 3. Equb 4. Iddir 5. Friends/relatives 6. Others _____
21	What is the source of money you paid for informal sources?	
22	Did you **get any training** before receiving the loan?	1. Yes 2. No
23	What kind of training you received?	1. Business 2. Marketing 3. Saving 4. Book keeping 5. Other (specify) _____
24	Do you think that the training has helped you to increase your income?	1. Yes 2. No
25	How?	
26	Do you think that lack of training has affected you?	1. Yes 2. No
27	Did OMO MFI Loan bring significant change in your living standard?	1. Yes 2. No
Section 3. Institutional and Social Factors		
1	From how many institution/s you received Loan?	
2	Why you received loan from different lenders?	1. To expand business 2. To pay another loan, 3. Relative or friends encouraged me to take. 4. Assuming it may not pay. 5. No reason to take the Loan

		6. To fulfill HH consumption (during shortage food).
3	How far is your home from lender institution (from OMO MFI office) in km?	
4	Did the distant affect your relation with partner/s? Explain the dimensions	
5	Do you consider the lenders as your permanent customer to get Loan whenever you need?	1. Yes 2. No
6	For Question No.5 Explain the reasons	
7	Did the lending procedure of OMO MFI convenient for you?	1. Yes 2. No
8	For Question No.6 Why?	
9	Did you **celebrate Social ceremonies** in 2018/2019 fiscal years?	1. Yes 2. No
10	Which ceremonies you celebrate?	1. Wedding 2. Birth date 3. Graduation 4. Funerals 5. Engagement 6. Circumcision 7. Other (specify) _____
11	For the above ceremonies How much have you invested in Birr for these ceremonies?	
12	What is the source of the money you paid for these ceremonies?	1. From business activity 2. From loan of OMO 3. From friend 4. From relative 5. From money lenders 6. From trader/shop keeper 7.Equb 8. Iddir 9. From saving
13	Have you gone to a **health centers for treatment** including your families?	1. Yes 2. No
14	How much did you paid in Birr **health centers for treatment**?	
15	The source of the money you paid for **health centers** treatment	1. From business activity 2. From loan of OMO 3. From friend 4. From relative 5. From money lenders 6. From trader/shop keeper 7.Equb 8. Iddir 9. From saving

16	Do you have special ability in the following activities as other source of income?	1. Carpenter 2. Office work 3.Construction 4.Attorney 5.Computer Maintenance 3. Others (specify) _____
17	Did you use your Loan for consumption purpose?	1. Yes 2. No
18	Why? And How much did you spent in Birr?	
19	Have you saved money in 2018/2019 fiscal years?	1. Yes 2. No
20	Indicate the type and amount of saving and institution	
21	Please list at least three the major products and/or services produced from your business that is financed by the loan from OMO MFI	
22	How was the demand for your product?	1. High 2. Average 3. Low
23	What were the trend of profits and the level of your business in the past two years?	1. Increased 2. Decreased 3. Stayed the same
24	If increased, what do you think is the reason?	1. Sufficient fund 2. Activity diversification 3. Availability of market 4. Quality advantage 5.Price advantage 5. Other (Specify)
Section 4. Communication		
1	Have you ever been supervised regarding loan utilization by OMO MFI staffs?	1. Yes 2. No
2	Have you ever been supervised for loan repayment?	1. Yes 2. No
3	How many times were you supervised since you received the loan?	
4	Was it adequate in your opinion?	1. Yes 2. No
5	Do you consider supervision as being important for loan repayment?	1. Yes 2. No
6	Do you think Credit Agents monitoring is useful?	1. Yes 2. No
7	In your opinion, how satisfactory is the monitoring by the Credit Agents?	1. Satisfactory 2. Moderately satisfactory 3. Unsatisfactory 4. Don't know 5. Others (specify) _____
8	Have you ever been refused OMO MFIs loans?	1. Yes 2. No
9	What was the main reason?	

Section 5. Loan Provision and Loan Repayment		
1	How did you get Loan from OMO MFI?	1. Individually 2. Group 3. Both
2	Is in group who organized you?	
3	How many members does your group have?	Male = _____ Female = _____
4	What do you think are the three main problems with the group requirement?	
5	Is individual how was your collateral to loan?	1. No collateral 2. Household assets 3. Personal guarantee 4. Others (specify)
6	Did you have the feeling that you might be sued in case of failure to repay the loan?	1. Yes 2. No
7	Do you attempt to know or monitor the loan utilization of the other members of your group?	1. Yes 2. No
8	Do you impose social sanction on your relative or friends due to default?	1. Yes 2. No
9	If you are practiced so far, what was the outcome?	1. Loan paid 2. Taken to court 3. Marginalized from social life 4. If others specify
10	Who have more responsibility to make decision on the Loan taken?	1. Husband 2. Wife 3. Both
11	At what time did you pay back your debt?	
12	If not repaid on the due date, what actions did the lending institution take on you?	
13	What was the last amount you borrowed from OMO MFI in Birr?	
14	What was the last amount you repaid to OMO MFI in Birr?	
15	What was the last amount you saved at OMO MFI?	
16	Have you ever failed to repay your loan on time?	1. Yes 2. No
17	How many days on average have you been late?	
18	What was the reason for failure?	1. Market problems 2. Working capital shortage 3. Entire loan used for HH consumption 4. Willingly because others also defaults and we can't get further Loan unless all repaid 5. Others (specify) _____

19	How many times were you penalized for late repayment?	_____times _____Birr
20	Did you know the end of repayment period?	1. Yes 2. No
21	What mechanism you designed to pay the overdue loan balance?	1. Change of the business 2. Loan diversions 3. Sell of property 4. Agitating others 5. Others (specify)
22	Did you have difficulty in repaying the loan in your group?	1. Yes 2. No
23	List the three most important difficulties in repayment of loan?	
24	Have you ever faced **fictitious loan** (false loan taken)?	1. Yes 2. No
26	By whom the loan was taken?	1. Peasant Association representative 2. Group loan committee 3. Credit Agents 4. Manager 5. Others, specify_____
27	Have you ever face loan collection processes with informal receipt?	1. Yes 2. No
28	Who collected through informal receipts?	
29	Have you ever **face shocks**?	1. Yes 2. No
30	Explain the year and estimate damages in costs	_____year_____ costs incurred
31	What was your opinion on the general procedure of loan disbursement and repayment conditions?	

አዲስ አበባ ዩኒቨርሲቲ

የድህረምረቃ ትምህርት ቤት

በአካውንቲንግና ፋይናንስ የማስተርስ ፕሮግራም

የዚህ ጥናት እና በተለይም የዚህ መጠይቅ ዋና አላማ በኦሞ ማይክሮ ፋይናንስ አነስተኛ የብድርና ቁጠባ ተቋም የብድር አመላለስ ብቃትን አስመልክቶ ለብድር አመላለሱ ዋና ዋና ነገሮች በሚል አርዕስት ለማከናውነው ጥናት ግብአት የሚውል ሲሆን ይህም በአካውንቲንግና ፋይናንስ የማስተርስ ዲግሪ ማሟያ ተደርጎ ይወሰዳል፡፡ የዚህ ጥናት ውጤት ለህግ አውጪዎችና ለአነስተኛ የፋይናንስ ብድርና ቁጠባ ተቋማት በተለይም ለኢትዮጵያ አነስተኛ የፋይናንስ ብድርና ቁጠባ ተቋማት ለብድር ተጠቃሚ ህብረተሰብ ያለበትን የቡድንና የግል ብደር በአግባቡ እና ህግን በተከተለ መልኩ ለመመለስ የተበዳሪዎች የብድር አመላለስ ብቃት/አፈጻጸምያለበትን ደረጃ ለማወቅ ይጠቅማል፡፡

ይህ ጥናት ትምህርታዊ ለሆነ አላማ ብቻ የሚያገለግል ሲሆን በአዲስ አበባ ዩኒቨርሲቲ በኩል የተፈቀደ ነው፡፡ ስለሆነም የእርስዎ ሃሳብና አስተያየት በጣም ከፍ ያለ ክብር የሚሰጠውና በሚስጢር የሚያዝ ይሆናል፡፡ ስለዚህ ይህንን አጠር ያለ መጠይቅ በጥንቃቄና የተቻለዎትን እውቀት በመጠቀም እንዲሞሉ በትህትና እና በላቀ አክብሮት እጠይቃለሁ፡፡ ጥራትና ብዛት ያለው መረጃ መስጠትዎ ለጥናቱ ተአማኒነት የበኩሉን ሚና ይጫወታል፡፡ ነፃና ግልፅ የሆነ ሃሳብዎን እንዲሰጡን በማሰብ ስምዎትን አይጥቀሱ፡፡

ለሚያደርጉት ትብብርና ፈጣን ምላሽ በቅድሚያ አመሰግናለሁ፡፡

አድራሻ

ለማንኛውም ጥያቄ እባክዎ አቶ አዱኛ ቲሮሮ ብለው በሚመለከተው አድራሻ ይጠይቁ፡፡

- **ተንቀሳቃሽ ስልክ፡ 0916137307**
- **ኢ-ሜይል ፡-** birukadugna2018@gmail.com

የተከበሩ መላሻችን መልሶን በተዘጋጀዉ ቦታ ላይ ቲክ ያድርጉ

ክፍል-1 አጠቃላይ የኦሞ ማይክሮ ፋይናንስ ተበዳሪን የተመለከተ መረጃ

1.1ፆታ፡- 1) ወንድ…….. 0) ሴት……..

1.2ዕድሜ …….

1.3እርሶ እስከ ስንተኛ ክፍል ድረስ ተምረዋል?……..

1.4የጋብቻሁኔታ፡-1)ያገባ……. 2)ያላገባ…….3)አግብቶ የፈታ……..

4)ሚስት ወይም ባል የሞተባት ወይም የሞተችበት……..

1.5የቤተሰብ ብዛት፡- 1) ከ1-18 ዕድሜ ክልል ወንድ…….. ሴት……..

2) ከ19-30 ዕድሜ ክልል ወንድ……..ሴት……..3) ከ31-55 ዕድሜ ክልል ወንድ…….. ሴት…….. 4) ከ55 ዕድሜ በላይ ወንድ…….. ሴት……..

1.6የቤተሰብ አባወራ ወይም መሪ ማነዉ? 1) ወንድ……. 0) ሴት……..

1.7የኦሞ ማይክሮ ፋይናንስ ደንበኛ የሆኑት መች ነዉ?ወር…… ዓ.ም……

1.8በቤቶ ከርሶ ጋር አብሮ የሚኖሩና ቢያንስ በቀን አንድ ግዜ ከርሶ ምግብ የሚመገብ ስንት ሰዉ አለ? 1) ሕጻናት ዕድሜያቸዉ ከ18 ዓመት በታች ወንድ…….. ሴት…….. 2) አዋቂ ዕድሜያቸዉ ከ18 ዓመት በላይ ወንድ…….. ሴት……..

1.9ከአባወራ አባላት ስንቶቹ ገቢ በሚያስገኝ ተግባራት ተሰማርተዋል? ……

1.10 የመኖርያ ቦታ የት ነዉ? 0) ገጠር…… 1) ከተማ……

1.11 ብድር የወሰዱበት መንገድ በየትኛዉ ነዉ? 0) በቡድን……. 1) በግል…….

1.12 የመኖሪያ ቦታዎና የንግድ ቦታዎ ለኦሞ ማይክሮ ፋይናንስ ተቋም ቅርበት አላዉ?

1) አዎ…….. 2) አይደለም……..

ክፍል-2 ከብድር ጋር የተያያዘ ጥያቄዎች

2.1 ብድር ከማግኘቶ በፊት ሌላ ተጨማሪ የገቢ ምንጭ አሎት?

1) አዎ ..... 0) አይደለም .....

2.2በጥያቄ ቁጥር 2.1 መልሶ አዎን ከሆነ የገቢ ምንጮን ቢገልፁ? (ከአንድ በላይ መልስ ካሎት መግለጽ ይችላሉ)

ተራ ቁጥር	የገቢ ምንጭ ዝርዝር	ዓመታዊ ገቢ በብር
1	ከእርሻ ስራ	
2	ከንግድ ስራ	
3	ከወር ደምወዝ	
4	ከህግ አገልግሎት	
5	ሌላ ካለ ቢገለጽ	

2.3ብድሩን ከማግኘቶ በፊት በአሞ ማይክሮ ፋይናንስ ተቋም ቁጠባ አሎት?

1) አዎን..... 2) የለኝም.....

2.4በጥያቄ ቁጥር 2.3 መልሶ አዎን ከሆነ ምን ያህል ቆጥበዉ ነበር?.....

2.5ቁጠባ የጀመሩት ለምን ምክንያት ነዉ? 1) ለንግድ ማስፋፋት.....

2) ለእርሻ ግብዓት ግዥ (ለምሳሌ ለማዳበሪያ ለዘር ግዥ ወዘተ)..... 3) ለቤት ፍጆታ.....4) በአነስተኛና ጥቃቅን ኢንተር ፕራይዝ ዘርፍ ለመሳተፍ.....

5) ለትምህርት ክፍያ .....6) ሌላ ካለ ይጠቀስ.....

2.6ለምንድነዉ ብድሩን የተበደርከዉ/ ሽዉ 1) ሌላ ዕዳ ለመክፈል ..... 2) የንግድ ስራ ለማስፋፋት .....

3) አዲስ የንግድ ስራ ለመጀመር..... 4) የእርሻ ግብዓት ለመግዛት እና ለእርሻ ስራ ለማስፋፋትና ማሻሻያ .....5) ሌላ ካለ ይጠቀስ.....

2.7ለጥያቄ ቁጥር 2.6 መልሶ የእርሻ ግብዓት ለመግዛት የሚል ኮሆነ የገጠር ብድር አገልግሎት ተጠቅመዉ ምን ገዙ? (ከአንድ በላይ ምላሽ መስጠት ይቻላል)

1) የዳፕና ዩሪያ ማዳበሪያ ለመግዛት ..... 2) የእርሻ በሬ ለመግዛት.....
3) በግና ፍየል ለመግዛት..... 4) ሌላ ግዥ ካለ ይጠቀስ.....

2.8ከኦሞ ማይክሮ ፋይናንስ ተቋም አስከ ቤቶ ያለዉ እርቀት በኪሎ ሜትር ስንት ነዉ?

……

2.9ከኦሞ ማይክሮ ፋይናንስ ተቋም ስንት ዙር ብድር ተቀብለዋል? 1) አንድ ዙር……

2) ሁለት ዙር …….. 3) ሶስት ዙር……4) ከሶስት ዙር በላይ……..

2.10 ከኦሞ ማይክሮ ፋይናንስ ተቋም ብድር ጠይቀዉ በወቅቱ አግኝተዋል?

1) አዎ……. 0) አይደለም……..

2.11 ለተራ ቁጥር 2.10 መልሶ አይደለም ከሆነ ብድሩን ለማግኘት በኦሞ ማይክሮ ተቋም የፈጀበት ጊዜ፡- 1) በጣም ረጅም……2) ረጅም…….3) መካከለኛ……

4) አጭር…….5) በጣም አጭር…….

2.12 ከኦሞ ማይክሮ ፋይናንስ ተቋም ምን ያክል ገንዘብ ተቀብለዋል?

	በአንደኛ ዙር	በሁለተኛ ዙር	በሶስተኛ ዙር	ከአራተኛ ዙር በላይ
ዓመት				
የገንዘብ መጠን				

2.13 ከኦሞ ማይክሮ ፋይናንስ ተቋም ለብድር የጠየቁትን ገንዘብ መጠን አግኝተዋል?

1) አዎን……. 0) አይደለም…….

2.14 በተራ ቁጥር 2.13 ለተጠቀሰዉ ጥያቄ መልሶ አይደለም ከሆነ ምን ያክል ብር ጠይቀዉ ነበር?……

2.15 ለጥያቄ ቁጥር 2.14 መልሶ አይደለም ከሆነ የብድር መጠኑ ምን ያህል ነዉ?

1) በጣም ዝቅተኛ ነዉ…… 2) ዝቅተኛ ነዉ……. 3) ከፍተኛ ነዉ……..

4) በጣም ከፍተኛ ነዉ……

2.16 ለጥያቄ ቁጥር 2.15 በጣም ዝቅተኛ/ዝቅተኛ ነዉ የሚል ከሆነ ምን አይነት አማራጭ ወሰዱ?

1) ከዕድር/ከዕቁብ መበደር……. 2) ከባንክ መበደር…….. 3) ከጓደኛ ወይም ከዘመድ መበደር…….. 4) ሌላ አማራጭ ካለ ቢጠቅሱ……

2.17 የትኛዉን ብድር ቶሎ ይመልሳሉ? 1) ከዕድር/ከዕቁብ የተበደሩትን…….

2) ከባንክ የተበደሩትን…….. 3) ከጓደኛ ወይም ከዘመድ የተበደሩትን……..

4) ሌላ አማራጭ ካለ ቢጠቅሱ……

2.18 ከብድር የተገኘዉን ገንዘብ በብድር ሰጪ ተቋም ዉል መሰረት ስራ ላይ አዋሉት?

1) አዎን……. 0) አይደለም…….

2.19 ለጥያቄ ቁጥር 2.18 መልሶ አይደለም ከሆነ ብድሩን ለምን ዓላማ አዋሉት? (ከአንድ በላይ መልስ መስጠት ይቻላል)

ብድሩ የዋለበት ቦታ	ወጪ የሆነበት ግንዘብ መጠን
ለቤት ፍጆታ	
ለህክምና	
ለሰርግ	
ለትምህርት ቤት ክፍያ	
ለበዓላ ፣ ለልደት አከባበር	
ሌላ ካለ ይጠቀስ	

2.20 ከኦሞ ማይክሮ ፋይናንስ ተቋም የወሰዱትን ብድር በወቅቱ ከፍለዋል?

1) አዎን..... 2) አይደለም.....

2.21 ለጥያቄ ቁጥር 2.20 መልሶ አዎን ከሆነ ምን ያክሉን ከፍለዋል/መልሰዋል?

1) ሙሉ በሙሉ..... 2) በከፊል.....

2.22 ለጥያቄ ቁጥር 2.21 መልሶ ሙሉ በሙሉ ከሆነ የክፍያ ጊዜ ምን ይመስላል?

1) በጊዜዉ ከፍያለሁ..... 2) ጊዜዉ ካለፈ ቡኃላ.....

2.23 ለጥያቄ ቁጥር 2.21 መልሶ በከፊል ከሆነ የክፍያ ጊዜ ምን ይመስላል?

1) በጊዜዉ ከፍያለሁ.....2) ጊዜዉ ካለፈ ቡኃላ.....

2.24 ከኦሞ ማይክሮ ፋይናንስ ተቋም የወሰዱትን ብድር ለመክፈል ያነሳሳዎት ምክንያት ምንድነዉ? 1) ከህዝብ ተቀባይነት ላለማጣት.....

2) ሌላ በቂ ብድር ለመበደር..... 3) ከአበዳሪዉ ተቋም ጋር ጥሩ ግንኙነት እንዲኖር በማሰብ..... 4) ሌላ ካለ ይጥቀሱ

2.25 ለጥያቄ ቁጥር 2.20 መልሶ አይደለም ከሆነ ምክንያቶ ምንድነዉ?

1) ብድርን ያለመመለስ ተጠያቂነቱ ዝቅተኛ መሆኑ..... 2) ትርፋማ ያለመሆን..... 3) በግል ችግር ምክንያት ለምሳሌ በህመም ወዘተ.....

4) የምርት ገበያ ማጣት..... 5) የተፈጥሮ አደጋ.....

6) መነሻ ካፒታሉን ለሌላ ተግባር በማዋል..... 7) ለተለያዩ በዓላትና ድግስ በማዋል..... 8) ሌላ ካለ በዝርዝር መጻፍ ይቻላል.....

2.26 ብድር እንዲመልሱ በኦሞ ማይክሮ ፋይናንስ ተቋም የተቀመጠዉ ወቅት ወይም ግዜ ይመቾታል?

1) አዎን..... 0) አይደለም.....

2.27 በጥያቄ ቁጥር 2.26 መልሶ አይደለም ከሆነ ምን ወቅት ቢሆንይመቾታል?.....

2.28 የብድር አሰባሰብ ፕሮግራም ድግግሞሽ በአበዳሪዉ ተቋም የሚደረገዉ ይመቾታል?

1) አዎን…….. 0) አይደለም……

2.29 በጥያቄ ቁጥር 2.28 መልሶ አይደለም ከሆነ ያልተመቾት ምክንያት ምንድነዉ?

1) በየሳምንቱ መሆኑ……. 2) በየወሩ መሆኑ……. 3) በየሩብ ዓመቱ መሆኑ……. 4) በግማሽ ዓመት መሆኑ……. 5) በዓመት መሆኑ……. 6) ሌላ ካለ……..

2.30 የብድር አመላለሱ ምቹ እንዲሆን በእርሶ አስታየት እንዴት ቢሆን ይመረጣል?

1) ለብድር አመላለስ በቂ የእፎይታ ጊዜ ቢሰጥ…….. 2) ብድር የሚመለስበት ጊዜ ለጅም ቢሆን……. 3) ሌላ ካለ ቢጠቀስ……

2.31 የኦሞ ማይክሮ ፋይናንስ ተቋም ባለሙያ ጎብኝቶት ያዉቃል?

1) አዎን…….. 0) አይደለም……

2.32 በጥያቄ ቁጥር 2.31 መልሶ አዎን ከሆነ ለምን ያህል ግዜ ባለሙያ ጎበኞት?

1) ምንም አልተጎበኘዉም……2) በሳምንት አንድ ግዜ……..3) በየቀኑ……

4) በወር አንድ ጊዜ……..5) በሶስት ወር አንድ ጊዜ……6) በዉል አላዉቅም……..

2.33 ባለመጎብኘትዎ ብድር አመላለስ ላይ ችግር ደርሷል ብለዉ ያስባሉ?

1) አዎን…….. 2) አይደለም……. 3) በዉል አይታወቅም……

2.34 በተበዳሪ ደንበኞች ላይ የሚጣለዉ ወለድ ምን ያህል ነዉ ብለዉ ያምናሉ?
1) ከፍተኛ…….. 2) መካከለኛ…….. 3) ዝቅተኛ……..

ክፍል-3 የቡድን ተበዳሪዎችን በተመለከተ

3.1የኦሞ ማይክሮ ፋይናንስ ተቋም ደንበኛ የሆኑበት ወር……..ዓ.ም……

3.2ለምንድነዉ በቡድን ለመበደር የወሰኑት? 1) በቡድን ተደራጅቶ ብድር ማግኘት ቀላል ስለሆነ……..2) በጓደኛ አነሳሽነት……. 3) ሌላ አማራጭ በማጣት…….. 4) ሌላ ካለ ይጠቀስ……

3.3እርሶን ጨምሮ በቡድኖ ስንት አባላት አለ? 1) ሶስት…… 2) አራት…… 3) አምስት…….. 4) ከአምስት በላይ……

3.4ቡድኑ ሲደራጅ እንዴት ተመሰረተ? 1) በአባላቱ ፍላጎት..... 2) በአበዳሪዉ ተቋም ፍላጎት..... 3) በማህበረሰቡ ፍላጎት..... 4) በመንግስት ፍላጎት..... 5) ሌላ ካለ ይጥቀሱ.....

3.5በቡድን ሲደራጁ ከምልመላዉ በፊት አባላቱን ሁሉንም ያዉቃሉ?

1) አዎን..... 0) አላዉቅም...

3.6በጥያቄ ቁጥር 3.5 መልሶ አላዉቅም ከሆነ ለምን የቡድኖ አባል አደረጉ?

1) ሌሎች የቡድኑ አባላት ጓደኛ ስለሆኑ..... 2) ለስራ ያለዉ አመለካከት ጥሩ በመሆኑ..... 3) ሌሎች የቡድኑ አባላት ቤተሰብ ስለሆኑ..... 4) ሌላ ካለ ይጠቀስ.....

3.7አሁን ካሉበት ቡድን ዉጪ ከሌላ ቡድን ጋር ብድር ለመዉሰድ ተሳትፈዉ ያዉቃሉ?

1) አዎን..... 0) አላዉቅም.....

3.8በብድር አመላለስ ወቅት በቡድን አባላት ላልተመለሰዉ ብድር ተጠያቂ ነኝ ብለዉ አስበዉ ያዉቃሉ? 1) አዎን..... 0) አላስብም.....

3.9የቡድኑ አባል ብድር ባይመልስ በቡድኑ አባላት ምን አይነት እርምጃ ይወሰዳል?

1) የሞራል ተፅህኖ በማድረግ..... 2) ሰፊር ዉስጥ በማዉራት.....

3) በማስፈራራት ከጎብረተሰቡ እንዲገለል ማድረግ..... 4) ሌላ ካለ ይብራራ.....

3.10 በግብርና ስራ የተሰማሩ ተበዳሪ ከሆኑ የቤት እንስሳት አሎት?

1) አዎን..... 0)የለኝም.....

3.11 በጥያቄ ቁጥር 3.10 መልሶ አዎን ከሆነ የእንስሳዉ አይነትና ብዛት ይዘርዝሩ፡-

ተ.ቁ	የእንስሳዉ አይነት	ብዛት
1	ከብት	
2	ፍየል	
3	በግ	
4	ዶሮ	
5	ፈረስ	
6	አህያ	
7	በቅሎ	
8		

3.12 የእርሻ መሬት አሎት? 1) አዎን…….. 0) የለኝም…….

3.13 በጥያቄ ቁጥር 3.12 *መልሶ አዎን ከሆነ ምን ያክል ሄክታር በምርት ተሸፍኗል?*

1) በምርት የተሸፈነ መሬት ……ሄ/ር 2) በምርት ያልተሸፈነ መሬት……ሄ/ር

ክፍል-4 ተበዳሪዎች የተሳተፉበትን የስራ ዘርፍ በተመለከተ

4.1**በየትኛዉ የንግድ ዘርፍ ነዉ የተሳተፉት?** 1) በእርሻ ዘርፍ (ለምሳሌ፤- ሰብል ልማት፣ በእርባታ፣ በድላባና ንብ ማነብ ወዘተ…)…….. 2) በንግድ ዘርፍ……

3) በኢንተርፕራይዝ ስራ ዘርፍ…… 4) በአገልግሎት ስራ ዘርፍ……

5) ሌላ ካለ ይጠቀስ……

4.2**በጥያቄ ቁጥር** 4.1 *መልሶ* **በእርሻ ዘርፍ ከሆነ በየትኛዉ ስራ?** 1) በድለባና ማሞከት……2) በንብ ማነብ…… 3) በሰብል ማምረት…….. 4) ሌላ ካለ……

4.3**በጥያቄ ቁጥር** 4.1 *መልሶ* **በንግድ ስራ ዘርፍ የሚል ከሆነ በየትኛዉ?**

1) በባልትና ንግድ……. 2) በጉልት ንግድ…… 3) በሱቅ/ በኮንቴነር ሱቅ…….. 4) በጥራጥሬ ንግድ……. 5) ሌላ ካለ……

4.4**በጥያቄ ቁጥር** 4.1 *መልሶ* **በኢንተርፕራይዝ ስራ ዘርፍ የሚል ከሆነ በየትኛዉ?**

1) በግንባታ ስራ ……. 2) በእንጨትና ብረታብረት ስራ…... 3) በኮብል ድንጋይ ማንጠፍ……. 4) ሌላ ካለ ይጠቀስ……

4.5**በጥያቄ ቁጥር** 4.1 *መልሶ* **በአገልግሎት ስራ ዘርፍ የሚል ከሆነ በየትኛዉ?**

1) ጸጉር ማስተካከልና በሴቶች ቁንጅና ሳሎን…… 2) በፎቶ ኮፒና በኮምፒዉተር ጥገና……3) ሻይ ቡና…….4) ሌላ ካለ ይጠቀስ……

4.6**ለስንት ዓመት ከዚህ በላይ በመረጡት ስራ ዘርፍ ቆይተዋል?** 1) አንድ ዓመት…...
2) ሁለት ዓመት…… 3) ሶስት ዓመት……4) አራት ዓመትና ከዚያ በላይ……..

ክፍል-5 ተቋሙንበተመለከተጥያቄ

5.1 በኦሞ ማይክሮ ፋይናንስ አነስተኛ የብድር ተቋም የርሶ አስተያየት በብድር አሰጣጥና አጠቃላይ አሰራር ላይ ተቋሙ ምን ይመስላል……
……

5.2 በኦሞ ማይክሮ ፋይናንስ አነስተኛ የብድር ተቋም በብድር አሰጣጥና አመላለስ ላይ የአሰራር ክፍተት ካለ በዝርዝር ቢያብራሩ
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5.2 ከኦሞ ማይክሮ ፋይናንስ አነስተኛ የብድር ተቋም ብድሩን ለማግኘት በሚያደርጉት እንቅስቃሴ ያጋጠሞት ችግርና ተግዳሮት ካለ ቢያብራሩ

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5.3 የኦሞ ማይክሮ ፋይናንስ አነስተኛ የብድር ተቋም በቀጣይ አገልግሎት በሚሰጥበት ወቅት ማስተካከል አለበት የሚሉት ነገር ካለ ቢጠቅሱ
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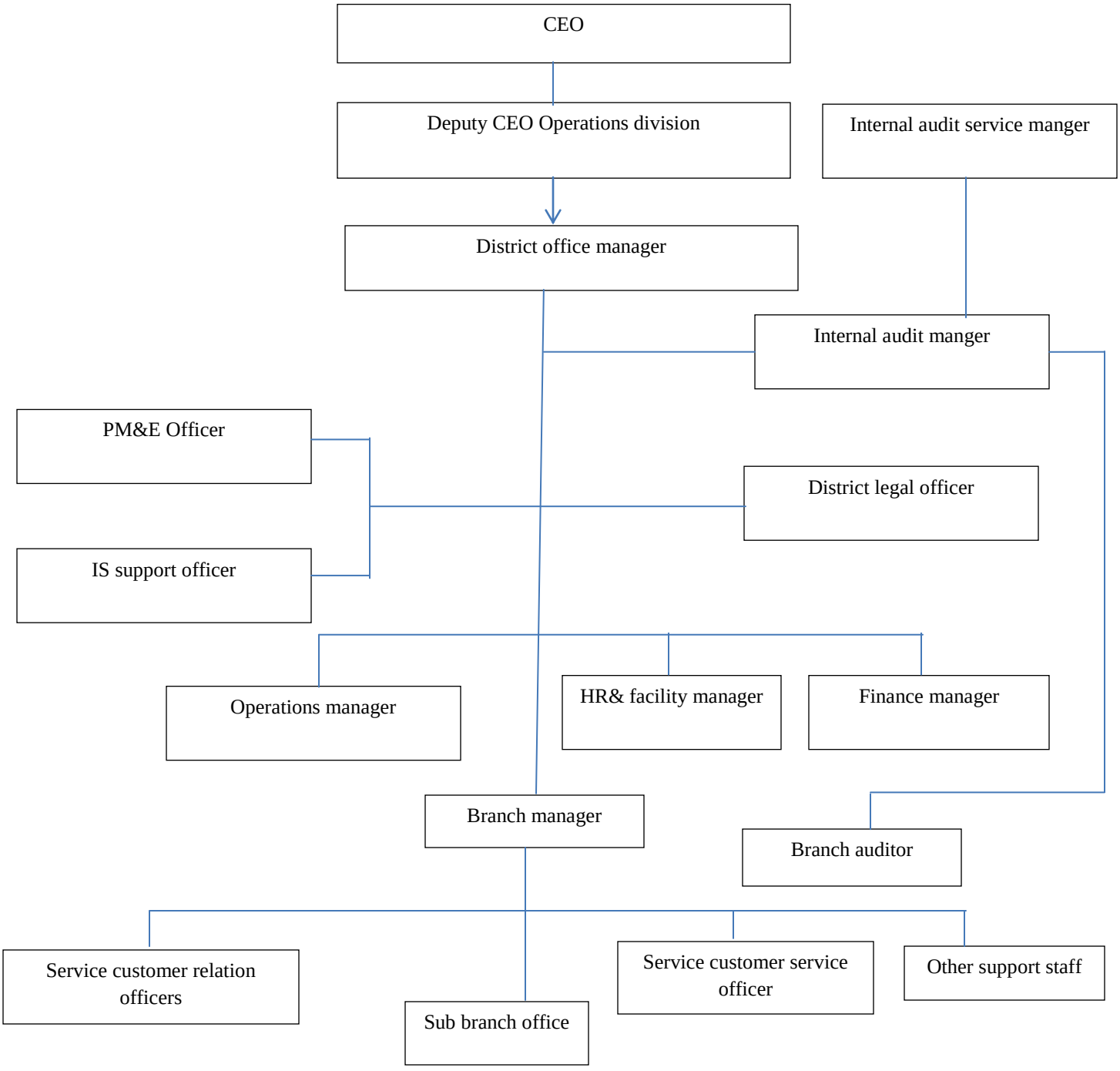
ስለትብብርዎ አመሰግናለሁ!!!!!!!

APPENDICES

APPENDIX
ORGANIZATINAL STRUCTURE OF OMFI

Organizational chart of OMFI



Sourse servay data OMFI (2019)

Pearson correlation coefficient

		X1	X2	X3	X4	X5	X6	X7	X8	X9	X10	X11	X12	X13	X14	X15	X16
X1	Pearson Correlation	1	-.062	.338**	.195**	-.197**	.034	.138*	.017	-.212**	.114	.016	.011	.109	.282**	-.295**	.196**
	Sig. (2-tailed)		.323	.000	.002	.001	.581	.026	.790	.001	.066	.791	.860	.080	.000	.000	.002
	N	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260
X2	Pearson Correlation	-.062	1	.359**	-.186**	-.211**	.312**	-.590**	-.048	-.312**	-.402**	.037	-.039	-.427**	.179**	-.263**	.345**
	Sig. (2-tailed)	.323		.000	.003	.001	.000	.000	.442	.000	.000	.551	.536	.000	.004	.000	.000
	N	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260
X3	Pearson Correlation	.338**	.359**	1	.198**	-.041	.332**	-.298**	.126*	-.138*	-.435**	-.021	-.111	-.318**	.617**	-.495**	.704**
	Sig. (2-tailed)	.000	.000		.001	.514	.000	.000	.042	.026	.000	.741	.075	.000	.000	.000	.000
	N	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260
X4	Pearson Correlation	.195**	-.186**	.198**	1	.340**	-.103	-.021	.282**	.184**	.043	-.029	-.284**	.661**	-.042	-.158*	.189**
	Sig. (2-tailed)	.002	.003	.001		.000	.097	.739	.000	.003	.488	.642	.000	.000	.497	.011	.002
	N	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260
X5	Pearson Correlation	-.197**	-.211**	-.041	.340**	1	.316**	.433**	.818**	.863**	-.446**	-.078	.485**	.388**	.088	.415**	-.154*
	Sig. (2-tailed)	.001	.001	.514	.000		.000	.000	.000	.000	.000	.209	.000	.000	.156	.000	.013
	N	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260
X6	Pearson Correlation	.034	.312**	.332**	-.103	.316**	1	-.087	.400**	.275**	-.472**	-.036	.384**	-.214**	.582**	.100	.118
	Sig. (2-tailed)	.581	.000	.000	.097	.000		.161	.000	.000	.000	.561	.000	.001	.000	.106	.057
	N	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260

X7	Pearson Correlation	.138*	-.590**	-.298**	-.021	.433**	-.087	1	.391**	.530**	.097	-.035	.557**	.224**	.011	.298**	-.299**
	Sig. (2-tailed)	.026	.000	.000	.739	.000	.161		.000	.000	.119	.577	.000	.000	.859	.000	.000
	N	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260
X8	Pearson Correlation	.017	-.048	.126*	.282**	.818**	.400**	.391**	1	.732**	-.485**	-.069	.594**	.259**	.255**	.157*	.007
	Sig. (2-tailed)	.790	.442	.042	.000	.000	.000	.000		.000	.000	.266	.000	.000	.000	.011	.911
	N	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260
X9	Pearson Correlation	-.212**	-.312**	-.138*	.184**	.863**	.275**	.530**	.732**	1	-.457**	-.076	.563**	.292**	.050	.446**	-.131*
	Sig. (2-tailed)	.001	.000	.026	.003	.000	.000	.000	.000		.000	.221	.000	.000	.423	.000	.035
	N	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260
X10	Pearson Correlation	.114	-.402**	-.435**	.043	-.446**	-.472**	.097	-.485**	-.457**	1	-.010	-.278**	.327**	-.426**	.047	-.418**
	Sig. (2-tailed)	.066	.000	.000	.488	.000	.000	.119	.000	.000		.867	.000	.000	.000	.447	.000
	N	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260
X11	Pearson Correlation	.016	.037	-.021	-.029	-.078	-.036	-.035	-.069	-.076	-.010	1	-.030	-.048	-.003	-.057	.031
	Sig. (2-tailed)	.791	.551	.741	.642	.209	.561	.577	.266	.221	.867		.631	.446	.956	.361	.617
	N	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260
X12	Pearson Correlation	.011	-.039	-.111	-.284**	.485**	.384**	.557**	.594**	.563**	-.278**	-.030	1	-.040	.090	.411**	-.309**
	Sig. (2-tailed)	.860	.536	.075	.000	.000	.000	.000	.000	.000	.000	.631		.517	.146	.000	.000
	N	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260
X13	Pearson Correlation	.109	-.427**	-.318**	.661**	.388**	-.214**	.224**	.259**	.292**	.327**	-.048	-.040	1	-.416**	.142*	-.415**
	Sig. (2-tailed)	.080	.000	.000	.000	.000	.001	.000	.000	.000	.000	.446	.517		.000	.022	.000

	N	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260
X14	Pearson Correlation	.282**	.179**	.617**	-.042	.088	.582**	.011	.255**	.050	-.426**	-.003	.090	-.416**	1	-.312**	.538**
	Sig. (2-tailed)	.000	.004	.000	.497	.156	.000	.859	.000	.423	.000	.956	.146	.000		.000	.000
	N	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260
X15	Pearson Correlation	-.295**	-.263**	-.495**	-.158*	.415**	.100	.298**	.157*	.446**	.047	-.057	.411**	.142*	-.312**	1	-.630**
	Sig. (2-tailed)	.000	.000	.000	.011	.000	.106	.000	.011	.000	.447	.361	.000	.022	.000		.000
	N	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260
X16	Pearson Correlation	.196**	.345**	.704**	.189**	-.154*	.118	-.299**	.007	-.131*	-.418**	.031	-.309**	-.415**	.538**	-.630**	1
	Sig. (2-tailed)	.002	.000	.000	.002	.013	.057	.000	.911	.035	.000	.617	.000	.000	.000	.000	
	N	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260	260

Where:-

X1	Age	X10	Loan repayment schedule
X2	Marital status of borrower	X11	Availability of training
X3	Method of Lending	X12	Supervision and Advisory Visited
X4	Educational Level	X13	Voluntary Saving
X5	Location of residence of borrower	X14	Other sources of income
X6	Family Size	X15	Celebration of social ceremonies
X7	Loan Size	X16	External Shock
X8	Timeline of loan repayment		
X9	Loan Diversion		

Source: survey result, 2019

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

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

.c.ListwiseN=