Addis Ababa University

College of Business and Economics

Department of Public Administration and Development Management

DETERMINANTS OF SUCCESSFUL LOAN REPAYMENT PERFORMNACE IN FOREIGN OWNED INVESTMENTS IN ETHIOPIA: THE CASES OF DEVELOPMENT BANK OF ETHIOPIA AND COMMERCIAL BANK OF ETHIOPIA.

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This is to certify that the thesis prepared by Walelign Adinew entitled "Determinants of successful loan repayment performance in foreign owned investments in Ethiopia: the case of development bank of Ethiopia and commercial bank of Ethiopia.", which is submitted in partial fulfillment of the requirements for the Degree of Masters in Public Management and Policy (MPMP), complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Declaration

I, the undersigned, declare that this thesis is my original work and has not been presented for a degree in any other university and that all sources of materials used for the thesis have been duly acknowledged.

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Date: _____________________________ Date: ______________________________

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List of Acronyms and Abbreviations

CBE	Commercial Bank of Ethiopia
DBE	Development Bank of Ethiopia
FDI	Foreign Direct Investment
MDGs	Millennium Development Goals
MFI	Micro Finance Institutions
MOFEC	Ministry of Finance and Economic Corporation
SME	Small Scale Enterprises

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ABSTRACT

This research paper aims to identify the determinants of successful loan repayment performance in foreign owned investments in Ethiopia. Clear understanding of these factors would enable borrowers and financing banks to develop suitable marketing strategies, business models, processes, and pilot projects. To address the research objective, about 97total foreign direct investors who borrow from Commercial Bank of Ethiopia and Development Bank of Ethiopia. Purposive sampling methods were used. Questioners were distributed to 97 different respondents, from which 96 sample respondents replied appropriately to the questionnaire. Data gathered were analyzed based on these 96 responses using SPSS 20 software package. Descriptive statistics and explanatory research approaches were employed. All out puts were reported using frequency, correlation and multiple linear regression analysis results such as ANOVA and coefficient and regression results were used. The result indicates that sufficient loan size and flexible loan repayment period were the most statistically significant determining factors affecting Successful loan repayment performance. During inflation amount of loan default is high and if banks couldn't adjust repayment schedule during inflation the borrowers would unable to repay their loan efficiently and effectively and there might be loan default. Thus, if there is inflation, loan default may increase and borrower couldn't pay their loan successfully. Therefore, inflation has statistically significant and negative association with loan repayment.

The study recommended that sufficient and larger amount of loan would enhance the investors' access to basic inputs and improved business management opportunities, which would lead to higher productivity, reduced per unit cost and increased income. Thus, lending institution should disburse sufficient amount of money equivalent to loan applied by the investors.

Keywords: Loan size, Experience, Inflation, loan processing period, loan repayment period, foreign direct investors

CHAPTER ONE

1. Background of the study

1.1 INTRODUCTION

According to Derk, Dan and Tadel(2013),Ethiopia has set out very ambitious goals to achieve economic, social and environmental transformation. Specific targets include to meet the socioeconomic Millennium Development Goals (MDGs) in 2015, and to achieve middle-income status by 2025. Economic goals include raising productivity in agriculture, improving social services, promoting industrial development, and filling significant remaining gaps in power, transportation (both road and rail) and telecommunications infrastructure.

World Bank press release(in September 30, 2014) states the Governments in developed and developing countries have exerted great efforts to attract FDI in their domestic economies. They expected benefits of FDI, such as an increase in the supply of capital and promotion of technology spillover will accelerate the development of domestic firms and raise the welfare of the entire country. In this regard, FDI is particularly important for developing countries since it provides access to resource that would otherwise be unavailable to these countries. Due to these benefits of FDI, many developing countries are now actively seeking foreign investment by taking measures like economic and political reform design to improve their investment environment. Further, the changing stance towards FDI has also given rise to a proliferation of investment promotion agencies, special economic zones and other targeted mechanisms by which African countries aspire to attract foreign investors.

As Agarwal and Atri (2015), it is believed that when countries open their economies capital would flow from the capital abundant rich countries to the capital scarce developing countries. This free movement of capital in the form of FDI could possibly increase economic growth there by lifting millions out of poverty. The inward and outward movement of capital usually takes place in the form of portfolio investments, foreign direct investment, equity and debt flows.

According to NBE (2008), a sound financial system, among other things, requires maintenance of a low level of non- performing loans which in turn facilitates the economic development of a country. High level of nonperforming loan is linked with banks failures and financial crisis. In

Ethiopian context, the Banks in the country are required to maintain ratio of their non-performing loans below five percent.

Martin (2007) pointed out that Bank lending is guided by credit policies which are guidelines and procedures put in place to ensure smooth operations. Bank lending, if not properly assessed, involves the risk that the borrower will not be able to pay or willing to honor their obligation. In order to lend, Banks accept deposit from public against which they provide loans and other forms of advances and bear a cost for carrying this deposit. Banks undertake lending activities in order to generate revenue. The major source of revenue comprises margin, interest, fees and commission.

Godquin (2004) defines repayment performance in terms of binary variable; based on an arbitrary definition of what constitutes repaying "on time" (a given maximum grace period is allowed. The repayment performance is important to make sure that the banks are operated in a sustainable basis.

Ayele(2016) pointed out that Development Bank of Ethiopia and commercial Bank of Ethiopia are some of the financial institutions that are played a critical role for the growth and development of a country. DBE is a specialized Bank established to spur the national Development agenda. The Bank's focal point is the provision of customer focused lending to viable projects in line with government priority areas by mobilizing fund from domestic and foreign sources while ensuring its organizational sustainability. Hence the ability to collect the amount of loans disbursed to the client is crucial for the long term sustainability of project financing institution like DBE and Commercial Bank of Ethiopia.

Thus, different investors are facing financial constraints to sustain loan provision to their project due to problems in loan repayment performance. At global level different researches have been conducted to analyze the empirical determinants of successful loan repayment performance. But there is a dearth of literature targetedto analyze the determinants of foreign direct investors in Africa. Various empirical literatures showthat there is no single list of determinants attributed to every region or country to successfully repay their loan by local and foreign investors.

1.2 Statement of Problem

According to Abreham(2016), the probability of being creditworthy of the borrowers can be characterized by the willingness and ability of the borrowers. These factors might have significant impacts on the repayment performance of the respective borrowers. In another word, the repayment behavior of borrowers can be determined by their attitudes or willingness and ability to repay the loan, which might be expressed as a choice between the two alternatives: either to repay or commit defaults. Moreover, the existence of other internal and external factors that can influence the repayment attitudes of borrowers can significantly affects the repayment recovery rate of lending institutes at large.

According to Wolday and Gebrehiwot (2004), in Ethiopia, despite the enormous importance of the investments to the national economy with regards to job creation and the alleviation of abject poverty, some of the foreign owned investors in Ethiopia are unable to realize their full potential due to the existence of different factors that determine their successful loan repayment performance. One of the leading factors contributing to the unimpressive loan repayment performance of the investors is limited access to finance.

Mengstu (2007) pointed out that the borrowed loans invested for productive purposes and then the generated additional incomes used to repay to the lending institutions to have sustainable and viable production process. As the DBE Annual Report (2014), to achieve the objectives of circulating more and more financial resources to meet the increasing demand for credit and to keep the Bank in sound financial position, the loans extended to various sectors of the economy must be recovered in full. Both the principal which is used for re-lending as well as the interest to meet the operating costs must be recovered. However, for the last many years the Bank's loan repayment performance has been very low due to various factors. These factors may explain among others the loan repayment behavior of borrowers and lending behavior of the Bank. This has an impact on the sustainable provision of credit to the potential investors and existence of the bank as a financial institution. Knowing these factors would assist the Bank in its continuous efforts to recover its existing loans and to set ideals for forthcoming ones.

According to Ayele (2016) effective control of loan repayment is critical for sustainable and healthy growth of the Banking sector especially for those predominantly engaged in provisioning loans. In other words, the determinants of successful loan repayment performance in project financing have to be properly investigated because the survival and the sustainable operation of such institutions are directly influenced by these factors. Therefore, investigation of the major determinant for successful loan repayment of Banks is especially essential for project financing Banks.

This study is different from earlier other studies in the following respect. First, earlier different studies in Ethiopia were greatly focused local loan on Small scale enterprises (SMEs). But, there is still couldn't researched on foreign investors financing loan repayment challenges. Investigating an issue focusing on a general aspect would help to identify the general problem in broader. Forexample, Brehanu and Mesfin (2015) and Deresse and Zerihun (2017) are among those who have carried out studies touching on access to finance for SMEs in Dilla town and West Oromia Region respectively.

Secondly, few existing researches were done on specific sectors. In the area of loan repayment performance researches have been done by Kibrom (2010), Mulugeta (2010) and Muluken (2014) under the Development Bank of Ethiopia. Mulugeta (2010) research had been conducted specific to agricultural borrowers. Muluken (2014) on his research had been conducted specific to floriculture growers' borrowers.

Thirdly, no one studies were done on exogenous factors (like weather condition, inflation rate and political stability) as challenges to successful loan repayment rather than as borrower related, bank related, and project characteristics challenges. This study intends to study more by considering new additional exogenous variables. This study also included all sectors of the financed project at two selected state banks head office borrowers.

That implies that there exists knowledge gap between the determinants of successful loan repayment among foreign investors in Ethiopia, which these studies intend to fill the gap. Therefore, an in depth analysis of factors affecting loan repayment performance of foreign owned investors' borrowers would help policy makers to formulate successful credit policies and programmes that enable them to allocate scarce financial resources to the development of basic sectors of the economy in Ethiopia. The research output could also help the financial institute (Banks) to evaluate its screening criteria and revise it accordingly. It would help the bank to identify the major characteristics that distinguish credit worthy borrowers and defaulters so that it could act accordingly for future screening purpose.

This research primarily used to fill the gap by addressing determinant factors challenging foreign owned investors from successfully repaying their loan in Ethiopia. Therefore, the main purpose of this study is to analyze determinants of successful loan repayment by Foreign owned investments in Ethiopia from Commercial Bank of Ethiopia and Development Bank of Ethiopia in order to set some light on how the problem of successful loan repayment should be addressed.

1.3 Hypothesis Development

The following hypothesis was formulated.

H1: Loan size has statistically significant and positively determine successful loan repayment.

H2: High borrower business experience has statistically significant and positively determine successful loan repayment.

H3: high borrower repayment capacity has statistically significant and positively determine successful loan repayment.

H4: Increase in Interest rate has statistically significant and negatively determine successful loan repayment.

H5: Flexible repayment period has statistically significant and positively determine successful loan repayment.

H6: Loan processing period has statistically significant and positively determine successful loan repayment.

H7: Loan follow up has statistically significant and positively determine successful loan repayment.

H8: flexible business type has statistically significant and positively determine successful loan repayment.

H9: Nearly business location has statistically significant and positively determine successful loan repayment.

H10: High inflation has statistically significant and negatively determine successful loan repayment.

H11: Good weather condition has statistically significant and positively determine successful loan repayment.

H12: Political stability has statistically significant and positively determine successful loan repayment.

1.4 Research Questions

1. What are the borrower's related factors that determines foreign borrowers for successful loan repayment their credit financed by the CBE and DBE?
2. What are the loan related factors that determines Foreign borrowers for successful loan repayment of their loan financed by CBE and DBE?
3. What are the project related factors that determines the foreign borrowers for successful repayment of their credit financed by CBE and DBE?
4. What are the exogenous factors determining foreign investors for successful loan repayment performance in CBE and DBE?

1.5 Objective

1.5.1 General Objective

The main aim of this study is to identify the determinants of successful loan repayment of foreign owned investors in Ethiopia.

1.5.2 Specific Objectives

1. To examine borrower's related factors that determines foreign borrowers for successful loan repayment their credit financed by the CBE and DBE.
2. To identify the loan related factors that determines Foreign borrowers for successful loan repayment of their loan financed by CBE and DBE.
3. To examine project related factors that determines the foreign borrowers for successful repayment of their credit financed by CBE and DBE.
4. To assess the exogenous factors determining foreign investors for successful loan repayment performance in CBE and DBE.

1.6 Significance of the study

Understanding the challenges and prospects related with foreign investors' loan repayment determinants have potential value to financial institutions, particularly banks and government. Based on the finding and general documents, this research would be useful for the following purpose:

- Other researchers could make use of the research outcome because it would help them to identify the problem area in the general economic condition of the country. It would give them background information on entrepreneurship capacity of foreign as well as local loan borrowers, marketing and production activities of their products, and other social and economic variables influencing the repayment status of foreign owned investors.
- It delivers a clear understanding on the findings to the lending institute's management in order to make sound decision and corrective measures where it is necessary. Moreover, the investigation would be more helpful for the foreign borrowers in Ethiopia.
- Therefore, an analysis of factors determining successful loan repayment performance of foreign owned investment borrowers would help policy makers to formulate successful credit policies and programmes that enable them to allocate scarce financial resources to the development of basic sectors of the economy. The research output could also help the financial institute (DBE) to evaluate its screening criteria and revise it accordingly.

After all, the researcher finding and recommendation from this study assumes to be an indication or implication to design appropriate strategies and directives that can support to address all banks.

1.7 Scope of the study

This study focuses on the loan repayment and its determinants in foreign owned investment in Ethiopia. Thus, this study limits its scope only on foreign investors in Ethiopia.

The study was limited its scope subject to collect data from foreign borrowers from two giant state Banks such that Development Bank of Ethiopia and commercial Bank of Ethiopia. Thus, the study limited on two Banks.

The study was limited its time scope to collect data and complete the study from March 23/ 2019 up to September 25/ 2019.

1.8 Limitation of the study

Only two banks that found to have the large portion of foreign customers were selected even though there are many banks in Ethiopia. This was due to time limitation. Thus, this reduces the sample size of the study. Lack of sufficient previous studies in Ethiopia concerning the successful loan repayment factors was the other limitation.

During data collection there were other problems; for example, some respondents (borrowers) were not willing to fill and give appropriate response. The other limitation was contacting the respondents. This limitation was solved by contacting on their phone, fax and E-mail addresses.

CHAPTER TWO

2 LITERATURE REVIEW

2.1 Conceptual Definitions

2.1.1 Loan

According to Yodit (2017) “Loan” in this research refers to any type of commercial loan like term loan, personal loan, consumer loan, merchandise loan but excluding any letter of credit, credit card debt, line of credit, overdraft or other forms of revolving debt. It is important that borrowed funds be invested for productive purposes, and the additional incomes generated be used to repay loans to have sustainable and viable production processes and credit institutions.
Kibrom states (2010) the provision of loan has increasingly been regarded as an important tool for raising the incomes of urban as well as the rural populations, mainly by mobilizing resources to more productive uses. As development takes place, one question that arises is the extent to which loan can be offered to the private sector to facilitate their taking advantage of the developing entrepreneurial activities

According to Armstrong (2016), the practice of lending and borrowing in human history can be traced back to Babylon. The Babylonians introduced a legal framework to regulate the custom of loaning money and goods as early as 1800 B.C. Valid loans at the time of the Babylonians had to include a written contract with the oversight of a public official. These contracts could include a pledge of security in form of land and other possessions including the wife, children and slaves of the borrower. The state regulated interest rates by setting maximum annual interest rate the lender could claim from the borrower. As Dennis (2015) the legal systems and institutions around borrowing and lending has been evolving and improving throughout the major human civilizations.

According to Enzo (2012) Banks are the largest providers of debt capital in project finance and the financial structure of the project (leverage ratio) is very important in convincing bankers to provide capital. It implies that banks must pay particular attention to the evaluation of the credit risk of the project. Hence, the failure of the project and the subsequent borrower’s insolvency may damage lenders heavily. The assessment of economic and financial feasibility of the project made by banks should primarily evaluate the expected economic return of the project on medium and long term, rather than focusing on collaterals provided by sponsors or third parties. To assess the "bankability" of the project is necessary to carry out a feasibility study. Banks have to differentiate bankable projects from non-bankable ones.

2.1.2 Loan default

Bloem & Gorter (2001) have defined loans default as the loans left unpaid for a period of 90 days. Also, the definition of default defined by Consultative Group to Assist the Poor (CGAP) 2009 is "when a borrower could not or will not pay back his or her loan and when the MFI no longer expects to be repaid (even though it keeps attempting to collect)".

The banking sector is central to any financial system and plays a pivotal role in supplying credit to the market(http://fsi.gov.au/). However, lender can also be a private person, a group of people, companies or even governments. The funds provided cover various types of needs such as mortgage payments, start-ups, business expansions and consume. As Addison and Geda (2001) the regulation from the government follows the constitutional law and protects both participators. Governments have several roles in the financial markets in addition to being providers and consumers of credit in the market. Since the looking after the long term national interest is one of government's main responsibilities, it has to develop policies that allow the financial systems to function in a way that benefits the people. Geda and Yimer (2014) states understanding the risk involved when a lender approves a loan to a borrower is vital to the pricing of the loan. The wellbeing of the overall economy depends also in the ability of the banking sector to measure the risk.

2.1.3 Loan Repayment

In the research conducted by Roslan & Abd Karim (2009) to investigate loan repayment behavior by borrowers from AgroBank Malaysia, it has been found out that the nature of business operated by borrowers have an impact on the loan repayment default. Roslan and Abd Karin (2009) have confirmed that the loan borrowers who operate in non-production oriented business such as in the service sector have lower rate of defaulting.

Chaudhary & Ishafq (2003) have also found out that the loan borrowers who involved in non-farm business activity will have higher rate of repayment as compared to those who involved in farming activity. In other words, these borrowers will have lower probability of defaulting their loans. Charles, Raphael, Dorcas and Kwadwo (2013) has defined repayment schedule as the time that loan borrowers are supposed to pay for it. Repayment schedule guides the loan borrowers in their repayment process.

Different financial institutions institution has different repayment schedule. According to Charles et al. (2013), the repayment schedule for micro finance loans in Ghana is 14 months. However, in Malaysia, the repayment schedule is 6 months to 10 years for TEKUN(2013); while for YUM (2-14), the repayment schedule is on weekly basis after the loan is disbursed.

There are several studies that show repayment schedule will affect the loan repayment defaults. Nawai & Mohd Shariff (2013) has found out the fact that when the business of the loan borrowers does not have enough of return to cover the scheduled payment on the repayment day, the loan borrowers will choose to defaulting their loans.

Abdulfettah Bouri (2013) states repayment performance of borrowers can be affected due to various factors. An economic theory suggests that a flexible repayment schedule set by the lending institutes can benefits borrowers and potentially enhances their capacity of repaying their debts. On the contrary, MFIs practitioners believed that high repayment recovery rate can be realized through maintaining the regular repayment time schedules.

According to Bond and Rai (2009) cited in Fikiret(2011), High repayment rate helps to obtain the next higher amount of loan and other financial services. In contrast, if there is low repayment rate, both the borrowers and the MFI will be affected. In this case, the borrowers will not be able to obtain the next higher loan and the lenders will also lose their clients. Improving repayment rates helps to reduce the dependence of the MFIs on subsidies, which would improve sustainability.

2.2 Theoretical Review

There are different factors determining successful loan repayment among foreign owned investments in Ethiopia, the following section show theories related to loan repayment and the factors determining borrowers from repaying their loan.

2.2.1 Loan related factors

2.2.1.1 Amount of Loan financed

As a financial dictionary term by (financial-dictionary.thefreedictionary.com*) loan size can be* defined as the amount of the loan in which the Bank releases to the respective borrowers. It is assumed that if the size of the loan is large, it would increase the interest and charges on the production process and affect the repayment performance negatively. In the contrary Bekele (2003) noted that, if the production capacity of the project can utilize the loan efficiently, it increases the loan repayment performance. Hence as Muluken (2014), the actual impact of the variable been determined in the analysis. The capital investment is seen also as a proof for shareholder’s commitment in the business. This is to say, that even if all the other four criteria for successful borrowing; credit, experience, business plan, and collateral are met; the Bank usually will not lend 100 percent of the funds requested.

According to Bayang (2009 cited in Florence & Daniel, 2014), lack of sufficient monitoring and reporting to ensure whether funds are utilized for the intended purposes are another possible factors that determines repayment coverage. Furthermore, the repayment rate improved as borrowers get closer to the loan limit, which is the maximum available loan. In other words as Seyedmehrdad, Andrea, Giorgio, Paolo & Emanuele (2016), motivation for reaching the maximum loan level is positively associated to the repayment performance. Godquin (2004) claims that larger loan size makes it more difficult to pay back the loan over a certain period of time.

2.2.1.2 Loan Processing time

According to Mulugeta (2010), it is defined as the time taken from the credit project application of borrower to the releasing of disbursement of the loan. If the loan is disbursed on time that is on the possible shortest time, it is unlikely that it would be diverted to non-intended purposes. On the other hand, the lengthened appraisal and approval process leads to late disbursement of the loan. This in turn has an impact on the delay of implementation of the project. Hence long loan issuing time is expected to have negative effect on repayment performance.

Koch and MacDonald (2000) pointed out that activity in the process of commercial and industrial (C&I) loans follows eight steps. These are application, credit analysis, decision, document preparation, closing, recording, servicing, administration, and collection. The value chain of lending activities identified above provides the rationale upon which the institutional factors have been identified for this research. This is further supported by Panta (2007) who noted that all kinds of lending involve three stages where discretion needs to be exercised: (a) Evaluation and assessment of the proposal (b) Timely monitoring and evaluation, and (c) Proper assessment of exit decision and modality. Timely disbursement of loans has also impacted the repayment rates.

2.2.1.3 Interest Rate

Asari (2011) states that loan falls due if no interest has been paid within 90 days, however, different countries may have different experience in this regard. The long run relationship clearly revealed that interest rate has a significant impact on non-performing loans.

Benson (2016) defined the interest rate is the amount of money charged by a lender to a borrower. It often expressed as a percentage of the principal amount). Interest rates adjusted to reflect changes in inflation. As a result, interest rates are critical determinants of foreign direct investment. Singhania (2011) also defines interest rate as the cost of borrowing capital and a measure of return on investment. Traditionally, investors will shop for low-cost credit sources or lower interest rates and invest it in economies that are promising higher returns.

2.2.1.4 Loan Repayment Period

As Michael (2017) repayment plan refers to entire time period within which both principal and interest will have been paid as well the repayment schedule for the designated period. Some loan periods are as short as six months or even less while others stretch well over a year or two. There has not been agreement across the microfinance world, on whether short or long loan repayment periods have any relationship with successful loan repayment.

According to Chaudhary (2003) if the payback period is too short, "*the possibility of returns on investment is low in that period. If the repayment time is too long, then borrowers may divert to use extra money on nonproductive uses, especially on consumption*".

A section of researches, among who include Gebremedhin (2010) suggest that repayment schedules must be made flexible and adjusted to borrowers' cash flow patterns. Yunus (2016) as cited by Fischer and Gahtak (2010) argued that borrowers find this incremental process easier than having to accumulate money to pay a lump sum because their lives are under strain.

2.2.2 Borrower related factors

2.2.2.1 Credit Experience

Muluken (2014) states that borrowers who have been in business longer are expected to be more successful with their enterprise. They have more sales and cash flows than those who have just started. Thus, those who are more experienced would have high repayment rates. This in turn has a positive impact on repayment performance. Hence, the variable is expected to have positive impact on the dependent variable.

Belcourt et al. (2011) states that Borrowers who have more experience in their business usually have better repayment performances since they have a more stable business and more reliable flows of cash and income. This lack of managerial skills/knowledge and experience in Enterprise management correlated with statistical significant low profits. No rational lender wants to or will turn over monies to a borrower to manage and expend in a business or venture in which the person has no or very limited experience. This measure for successful borrowing should be easy to see from both the lender and borrower's point of view. Lenders need to be more certain that the person or persons borrowing the funds have the experience and expertise to manage the money and in the day to day the business is conducted in a careful manner. It is needed to cover positive results from the business and further indemnify that the lender will be repaid with interest and in a timely manner. The more experience and talent the borrower has shown in the past, the lower the risk in lending from the Bank's point of view. The minimum numeric value often expected here is that the borrower should have at least three years of experience in the management of the type of business in whose name he or she is borrowing the funds. This experience can be as an owner and/or management experience. It could also be experience as an employee in a similar type business.

2.2.2.2 Repayment Capacity

Florence & Daniel (2014) states besides borrowers' characteristic that is the ability to repay the loan on- time can be determined by: 1) the willingness of borrower to repay the loan, 2) capacity (how much debt a borrower can handle) and 3) the cumulative capital (Assets) owned by the borrower. Before delivering credit service, identifying and analyzing the characteristics of the borrowers is an important issues to be considered by the credit managers to judge whether the borrowers exerts the lowest efforts to honor the credit obligations.

Godquin (2004) pointed out that larger loan size increases the expected profit of a borrower. This happens because "*the net return is an increasing function of the size of the loan, and borrower always prefers bigger loans*". The author claims that larger loan size makes it more difficult to pay back the loan over a certain period of time.

Capacity refers to the ability of the borrower to repay the loan (www.investopedia.com). Investment credit which will yield sufficient profit will enable the borrower to repay the loan. The surplus is used to repay the credit. Most borrowers can easily repay the principal and interest. However, some of them find it hard to repay the principal. Cash flow budgeting technique is used to assess repayment capacity. Good financial management improves repayment capacity and the profitable use of credit which help borrowers to improve their repayment capacity by extending repayment time-long repayment period, planning repayments to coincide with income and running to minimize overhead costs and stressing enterprises with higher and quicker income-related to this is maximum use of self-liquidating loans, Van (2002).

2.2.2.3 Presence of Loan follow up

According to Adewale and Alawiye (2008) Loan follow up is a regular re-assessment, monitoring and evaluation represent a very crucial part of the Banks own part of the strategic conditions subsequent to draw-down of a facility that forms the scheme of work for effective management of the credit facility from the point of approval to the point of liquidation.

According to Ameyaw-Amankwah (2011), Loan repayments should be monitored and whenever a customer defaults action should be taken. Thus, banks should avoid loans to risky customers, monitor loan repayments and renegotiate loans when customers get into difficulties.

Sundarajan (2007) states Lack of supervision of projects arises when update of customer information and borrowers' circumstances is not done frequently as a result the lending institution employees' inability to be close to their customers.

According to Fitsum(2018) it is a variable that can be measured in number of supervisory project visits of the project by Bank's credit officers per annum. It is essentially intended to closely monitor the project implementation and/or operation, thus recommends any corrective measure if deemed necessary. Visits by loan officer to borrowers are encouraged the borrowers to work harder and make sure the loans given to them are effectively utilized for the planned investment activities.

According to Wongnaa and Awunyo (2013) it is essentially intended to closely monitor the project implementation and/or operation, thus recommends any corrective measure if deemed necessary. Visits by loan officer to borrowers are encouraged the borrowers to work harder and make sure the loans given to them are effectively utilized for the planned investment activities.

According to Louzis, Vouldis and Metaxas (2012), distinctive features of the banking sector and the policy choices of each particular bank with respect to their efforts for maximum efficiency and improvements in their risk management are expected to exert a decisive influence on the evolution of NPLs. Shofiqul, Nikhil and Abdul (2005) identified that weak follow-up by credit officers weakens the system of loan loss mitigation.

Korankye (2014) fills this gap by making the following plausible observations. He points out that provisions of supervision is critical because it helps verify falsified or doctored information supplied by borrowers. Further, supervision aids in monitoring deposits made on investment projects relative to balance available. Supervision also is a show of active interest in the borrower and will aid in early identification of warning indicators of loan default. The author suggests that in such an event, re-appraisal of borrower's financial position is essential. Further well established supervision mechanism by lenders, as put by Smith (2013) follow up protect consumers from unfair, deceptive and abusive practices in the payday lending market through regulation. Among such predatory lenders include shylocks who lend money without regard of consumers' credit worth.

2.2.3 Project related factors

2.2.3.1 Type of market(business)

According to Muluken (2014),a borrower who has engaged on export markets had a good record of repayment performance than if the commodity was produced for local market. It is expected to have a positive relationship with the dependent variable.

Samuel (2011) found out that income from activities financed by the loan is important and significant factor that enhances the credit repayment performance. Tnsue (2011) found that income from the loan activities financed by institution is significant determinant of the probability of loan repayment. Abafita (2003) also analyzed the microfinance repayment performance of Oromia Credit and Saving Institution (OCSI) in Kuyu, Ethiopia. According to his finding income from activities financed by loan is positively and significantly related to loan repayment performance and thereby reduces loan default.

2.2.3.2 Project location nearest to available raw materials and accessible output market

According to Ayele (2016),it is the distance between the locations of the project to the place where the input raw materials are available. It is assumed that the availability of input material are very close to the project site, various logistics costs have decreases this in turn the project can able settle its debt based on the contract agreement, and the distance between the locations of the project to the place where the output product market is accessible. It is assumed that the accessibility of output product market (the place where the target consumer) are very close to the project site, various logistics costs have decreases this in turn the project can able settle its debt based on the contract agreement.Access to output markets, ranging from small village- level markets to sophisticated export processors, is the key for small farmers to earn more from the sell of their produces. Poor farmers in remote areas appear to have limited access to output markets for their products.

However as International Development Enterprises (2008), by assessing transport costs and focusing on multiple high values storable crops, opportunities emerge to create output market linkages with a rate of return that is very attractive to poor families.

Jeff,Andrew and Patricio (2010) pointed out that as a result of availability of input raw material the price of the product might constant or even less and the productivity of the company is enhanced and this might help the borrower to have successful loan repayment performance.

2.2.4 Exogenous Variables (Macro-economic variables)

2.2.4.1 Inflation

According to Ludi and Ground (2006), Inflation is defined as a time of generally rising prices for goods and factors of production. In any economy, inflation is undesirable because of the specific economic costs associated with inflation. First, when inflation is high, currency and noninterest-bearing checking accounts are undesirable because they are constantly declining in purchasing power. Secondly, there are tax distortions, for example, when inflation rages, the actual value of these deductions are much less than it should actually be. When inflation hits, some people gain and some lose for example people whose pensions are fixed in shilling terms lose as the value of their future earnings decreases.

According to Salas and Saurina (2002) Macro-economic variables, through factors such as inflation and changes in interest rates, may either enhance or distress commercial a bank's financial performance. The authors' further estimate a significant negative contemporaneous effect of GDP growth on the NPL ratio and infer a quick transmission of macroeconomic developments to the ability of economic agents to service their loans.

2.2.4.2 Political Instability

According to world encyclopedia on (www.encyclopedia.com) definition Political instability can be defined in at least three ways. A first approach is to define it as the propensity for regime or government change. A second is to focus on the incidence of political upheaval or violence in a society, such as assassinations, demonstrations, and so forth. A third approach focuses on instability in policies rather than instability in regimes (i.e., the degree to which fundamental policies of, for instance, property rights are subject to frequent changes).

Esty and Megginson (2003) investigate the syndicate structure of project finance loans, and support that political risk is reflected in the spread of the loan. In countries with high political risk, i.e. weak creditor rights and poor legal enforcement, they find that syndicates are particularly large and diffuse in order to deter strategic default. In contrast, in countries with strong and enforceable legal rights, syndicates are structured to ensure monitoring and low-cost re-contracting. Their find thus supports for their deterrence hypothesis. This finding would imply that commercial banks too could influence the host government and thus reduce political risk. In a related study, Hainz and Kleimeier (2003) identify three broad categories of "political risk". The first category includes the risks of expropriation, currency convertibility and transferability, and political violence, including war, sabotage or terrorism. The second category covers risks of unanticipated changes in regulations or failure by the government to implement tariff adjustments because of political considerations. The third category includes quasi-commercial risks arising when the project is facing state-owned suppliers or customers, whose ability or willingness to fulfill their contractual obligations towards the project is questionable. Finally, studies on legal institutions and legal rights include mainly investigations of the determinants of transaction costs and the level of investor participation, i.e. the participation in stock markets.

According to Annika (2008) Political instability is often cited as one factor leading to debt defaults. Accordingly, three political instability factors are considered, including: 1) political legitimacy, 2) governmental regime change; and, 3) external or internal conflict. Political stability is defined in terms of the "legitimacy" of the government or political system more generally. Legitimacy is based upon the degree to which a country's political system is democratic versus authoritarian, and on the extent to which its citizens therefore enjoy various political rights.

Alwarez-Plata and Bruck (2008) shows many war-affected countries face rising debt arrears and deteriorating relations with creditors. From a historical perspective, the post-conflict environment poses special challenges and experiences unique circumstances concerning debt, arrears and aid as well as trust and institutional relations.

2.2.4.3 Weather conditions

Berg and Schrader(2012) analyze the effect of volcanic eruptions on loan default rates and interest rates of microfinance clients in Ecuader. They found that the probability to default increases for loans that have been approved after high volcanic activity. However, aside from rare respective empirical investigations, no investigations that focus on agricultural microfinance currently exist. Thus, given weather risk exposition of farmers and more specifically the limited ability of small-scale farmers to deal with those uncertainties. Many research finding prove that individual credit attributes as well as socio-demographic characteristics affect the repayment performance of borrowers in developing countries. Roslan and Karim (2009) states most financial institutions in developing countries offer rather standardized products, i.e. loans with fixed repayment schedules and loan repayments starting shortly after loan disbursement for both agricultural and non-agricultural enterprises. However, an investment needs some time to mature before first returns can be realized, which is a situation especially relevant for the agricultural sector.

2.3 Empirical literature Reviews

In this part different related literatures and studies was critically analyzed and presented. Accordingly, the first section emphasizes on any literatures and studies on determinants of successful loan repayment among foreign owned investors anywhere in the world followed by related literature reviews conducted in the world and Ethiopian context, and finally attempts was made to show the gap that why this study was found essential.

2.3.1 Global Studies related about determinants of successful Loan Repayment

As of the study by Mohd (2013) on the determinants of repayment performance of microfinance programs in Malaysia in the case of individual lending approach, he revealed that gender, business experience, education level, distance or accessibility of market place, total loan size and transaction costs have positive coefficient to repayment performances; while age, religion, total income, business sector, business status, year of establishment, business area, total sales, loan type, repayment schedule, repayment period and loan monitoring have negative coefficient between the delinquent borrowers and good borrowers. The researcher had employed a descriptive analysis and multinomial logit model to estimate the equations and analyze the results. He has found out the fact that when the business of the loan borrowers do not have enough of returnto cover the scheduled payment on the repayment day, the loan borrowers will choose to defaulting their loans. Therefore, there is a relationship between the repayment schedule and loan repayment defaults. The researchers have found out that loan borrowers who repay their loans on a monthly-basis are good borrowers than default borrowers.

Gerald and Deogratius (2013) in their study examined the credit rationing and loan repayment performance Victoria savings and credit cooperative society in Tanzania. The study found that business management skills, alternative source of income, unfavorable weather conditions, household size, late loan delivery, distance between the savings and credit cooperative and the member's project, number of years of project runs, experience, age, credit rationing and loan diversion influenced loan repayment performance.

As Wongnaa and Awuyno (2013) who have discussed factors that are affecting loan repayment performances among Yam farmers in Sene District, Ghana and revealed that the expansion of knowledge through education, business experience of the borrower, age, a diversified source of income and close supervision to borrowers businesses are positively influence the repayment performance of the borrowers while gender and marriage status have a negative impact on repayment performance of borrowers. The researchers employed descriptive statistics and probit regression model to estimate the equation and analyze the results. The results of the logit model shows that education level of borrowers has major and positive effect on loan repayment performance of DBE`s borrower. This was because of the fact that project financed borrowers, who have higher education status, could find superior market for their products, they might be cost conscious that is economical usage of resources and they might have future investment plan working with the Bank. These and other reasons make the borrowers who have a higher education status to have a good repayment performance.

The study by Acquah and Addo (2011) determinants of loan repayment performance of fishermen, Ghana employed multiple regression analysis in their study. Their results revealed that low level of education, lack of alternative income generating activity, cumbersome loan processing procedures, they are likely to have high loan default. The study identified fishing income, amount borrowed and size of loan invested into fishing as significant predictors of loan repayment.

According to the study by Diriba, and Hundessa (2019)conducted on the assessment of causes of loan default in Wasasa Microfinance S.C Sabata town branch office in order to indicate information that enables to ensure its future sustainability. Both questionnaire and interview guide were used to collect data which was analyzed using descriptive analysis. The survey made on 99 clients and 10employees shows that the majority of clients are females which are prioritized by the institution to empower poor female household heads. Based on the result, political instability, poor business plan, existence of illegal business and price fluctuation are four major external causes of loan default.

Munene, Nguta, and Huka (2013**)** was carried out a study to establish the causes of such repayment defaults in Imenti North District, Kenya using a descriptive survey design individual microfinance loan beneficiaries and microfinance institution officials. A representative random sample of 400 respondents was selected from the study population using census and cluster sampling procedures for microfinance institutions officers and loan beneficiaries respectively. The findings of the study revealed that there was a significant relationship between the type of business, the age of the business, the number of employees, business profits, and loan repayment default. The study further indicates a strong link between technical training for loan beneficiaries and the performance of entrepreneurial businesses among the remote communities.

According to Skarica (2013) who conducted a study on the determinants of NPLs in Central and Eastern European countries, by employing the Fixed Effect Model and seven Central and Eastern European countries for 2007-2012 periods, the study revealed that loan growth, real GDP growth rate, market interest rate, unemployment and inflation rate as determinants of NPLs. The results show that GDP growth rate and unemployment rate have statistically significant negative association with NPLs with justification of rising recession and falling during expansions and growth has impact on the levels of NPLs. This implies that economic developments have a strong impact on the financial stability. The result also discovered that inflation has positive impact on NPLs with a justification that inflation might affect borrowers' debt servicing capacities.

Wamucii (2010) studied the relationship between inflation and financial performance of commercial banks in Kenya. He established that the performance of commercial banks seemed to improve with the increases in inflation. While Nyambok (2010) studied the relationship between inflation rates and liquidity of companies quoted at the Nairobi Stock Exchange (NSE). The author noted that increases in inflation had mixed effects on the liquidity of firms quoted at the NSE. The effects varied across different segments at the stock exchange.

Nkusu (2011) explained that this relationship between inflation and loan repayment performance can be positive or negative. According to the author inflation affects loan payment capacity of borrowers positively or negatively, higher inflation can enhance the loan payment capacity of borrower by reducing the real value of outstanding debt. Moreover, increased inflation can also weaken the loan payment capacity of the borrowers by reducing the real income when salaries/wages are sticky.

Oladeebo etal. (2008) had examined socio-economic factors such as amount of loan repaid, amount of loan collected and spent on agricultural production, annual net farm income, age, farm size cultivated, farming experience with credit use, and level of education influencing loan repayment among small-scale farmers in Ogbomoso agricultural zone of Oyo State of Nigeria. Among them amount of loan obtained by farmers, years of farming experience with credit use and level of education were the major factors that positively and significantly influenced loan repayment. However, age of farmers influenced loan repayment negatively but significantly. To determine loan repayment decisions among farmers in Southwestern Nigeria during 2005 study were conducted. The Data were collected from 180 respondents by multistage sampling technique. The results of the Tobit regression model have showed farming experience, farm location, and cost of obtaining loan, visitation, borrowing frequency, age of the beneficiaries, household size, level of education, occupation, amount of loan and education as important factors in determining loan repayment.

Roslan and Abdkarim (2009) investigated the determinants of loan repayment among microcredit borrowers in Malaysia. The data, used in this study, was gathered through a survey of 2,630 respondents, drawn from 86 branches of the Agrobank in Malaysia. The study employed the probit and logit models to identify the main determinants that influence microcredit repayment. The study found that type of business activity; amount of loan; repayment period and training were the major factors that negatively and significantly influenced repayment. On other hand, the gender of the borrower influenced the probability of loan default positively. However, this study also used the binary model and did not consider the small holder farms that couldn’t pay collateral in rural areas.

The study made by Ugbomeh M. *el al.* (2008) in Nigeria, examined the determinants of loan repayment performance among women’s self-help groups. The study used ordinary least square (OLS) of multiple regression analysis to identify the factors affecting loan repayment. The results indicated that women as household heads, interest rates and household size, negatively and significantly affected the loan repayment performance of women farmers, while the price stability of farm proceeds and commitment to self-help groups, positively and significantly affected the loan repayment of women farmers in self-help groups in the area. However, like the previous study, this author also used the ordinary least square method and it did not consider important institutional and socio-economic variables those that more likely affect loan repayment performance rather than cost of loan recover, women as household heads, interest rate, household size, price stability of farm proceeds, and commitment. In addition, the study was limited its scope to only women's self-help groups.

Ngetich & Wanjui (2011) carried out a study that sought to establish the effects of interest rate spread on the level of Non-Performing Assets (NPAs). The study adopted a descriptive research design on a sample of all commercial banks in Kenya operating by 2008 which were 43 in number. The study used questionnaires to collect data from primary data sources and secondary data, collected from Bank Supervision Report, to augment the primary data findings. The study used both quantitative and qualitative techniques in data analysis to the relationship between the interest rate spread and loan non-performance. The data was presented using graphs, table and Pie-Charts. The study concluded that interest rate spread affects performing assets in banks as it increases the cost of loans charged on the borrowers, regulations on interest rates have far reaching effects on assets non-performance, for such regulations determine the interest rate spread in banks and also help mitigate moral hazards incidental to NPAs.

The study carried out by Ojiako and Ogbukwa (2012) on economic analysis of loan repayment capacity of small holder co-operative farmers in Yewa North Local Government area of Ogun state, Nigeria. The result revealed a strong positive and significant relationship between loan size and capacity to repay. By implication, given that beneficiaries did not have the tendency to divert, if substantial amount was approved as loan to farmers, they would use the funds to acquire the basic tools, equipment, and improved technology and other inputs they would require to enhance their operational and marketing efficiency and make positive returns. In other words, larger loan sizes would enhance the beneficiary farmer's access to basic inputs and improved farm management opportunities, which would lead to higher productivity, reduced per unit cost and increased income. The investment would be able to pay back itself and consequently support the farmer to repay the borrowed fund within the specified period.

Researchers like Akerele, Aihonsu, Ambali and Oshisanya (2014) investigated factors affecting loan repayment performance among members of Cooperative Thrift and Credit Societies in Yewa North Local Government Area of Ogun State. The study drew a sample of hundred and four smallholder agricultural credit users who are members of Cooperative Thrift and credit society identified through a multi stage random sampling techniques. Relevant information on socio-economic characteristics, sources of loan preferred, payback period, factors affecting loan repayment of co-operators and constraints in obtaining loan were collected using structured questionnaires with personal interview and data collected were analyzed using descriptive statistics and multiple regressions. The results of the regression showed that loan duration positively and significantly influence loan repayment. The researchers concluded that credit agencies should always endeavor to draw a more convenient disbursement and amortization schedule to conform to economic needs. That is, loan must be adapted to the peculiar needs of the co-operators and repayment condition should be flexible enough to allow for variation and uncertainties in cooperative income.

Bichanga & Aseyo (2013) carried out a study to find out the causes of loan default within Micro Finance Institutions (MFIs) in Trans-Nzoia County. Specific objectives were to investigate how non- Supervision of borrowers influences the loan repayment financed by MFIs in Trans-Nzoia county; to find out the effects of shrinking economic growth experienced by borrowers on loan repayment and to establish how diversion of loan funds by borrowers leads to default in loan repayment. The target population comprised a total of 400 loan borrowers and 200 MFIs out of which a sample of 150 was picked using simple random sampling for each stratum, which enable every member of the population have an equal and independent chance of being selected as respondents and also simplest, most convenient and bias free selection method. The data was collected by use of structured and semi-structured questionnaire. The data was analyzed from questionnaires using both quantitative and qualitative techniques and tabulated by use of frequency tables. The study found out that loan repayment default was as result of non-supervision of borrowers by the MFIs, and also as a result of inadequate training of borrowers on utilization of loan funds before they received loans. The findings also revealed that most borrowers did not spend the loan amount on intended and agreed projects.

According to Edakasi (2013) who studied the Effect of Interest Rates on Loan repayment; a Case Study of Equity Bank Masindi Branch, Uganda, the research used both random sampling and purposive selection of a sample size of 60 comprising of 10 Equity bank officials and 50 bank customers. The level of interest rates has a direct effect on a consumer's ability to repay a loan.

Another study by Osuji et al. (2012) investigated the effect of profitability of respondents' enterprises on loan repayment. The coefficient of profitability index was positive and significant at 5% level and was in consonance with hypothesis which stated that profitability index (ratio of income to costs) had direct and strong relationship with repayment. This was because difficulties in repayment arose whenever a business is unprofitable. This is an indication or index of management ability. In the event of not making profit, enterprises including NGOs (which are expected to break-even), become unsustainable.

As of the research made by Onyeagocha & Chidebelu (2012) on determinant of loan repayment performance in Southeast State of Nigeria, they hypothesized that loan size to have a negative relationship with repayment rate. In other words, the higher the loan size given by the institution, the lower was the repayment rate of the clients. Their regression results strongly disagreed with this hypothesis. It stipulated that the higher the size of the loan to clients, the higher the repayment rate. This situation appears to be most unlikely because the amount to be repaid was relatively larger and if the loan was from development oriented institution with subsidized interest rate and little chance of repeat loans, the pressure or inclination of such clients would be to delay repayment.

Research made byLuvavo (2013) on factors influencing the repayment of the Youth Enterprise Development Fund Loan by youth groups in Sabatia constituency. The research targeted 52 groups' officials and the 2 Youth Enterprise Development Fund employees working in Sabatia Constituency. The study adopted a descriptive survey design where data was collected from fifty youth groups funded through Youth Enterprise Development Fund in Sabatia Constituency and two YEDEFB employees in the Constituency. Data was collected using questionnaires which were edited, coded and analyzed using descriptive statistics facilitated by use of Statistical Package for Social Sciences. The findings revealed that if loans are too large or clients are full of unpredictable crises, such as illness or death in the family then extra funds may go towards personal use.

Kohansal and Mansoori (2009) found that received loan size has positive effect on repayment performance of recipients. The study result of Oladeebo & Oladeebo (2008) showed that amount of loan obtained by farmers was the major factors that positively and significantly influenced loan repayment.

As of Afolabi (2010) research carried out loan repayment performance of microfinance institutions, he obtained that the amount of loan granted to farmers have major significant positive influence loan repayment. Among the determinants of loan repayment of microfinance institutions, loan size had positive impact on loan repayment.

Kohansal and Mansoori (2009) studied the factors influencing on repayment performance of farmers in Khorasan-Razavi province of Iran during 2008. The logit model was used to explain the probability of loan on time repayment as a result of any of the identified independent variables. The signs of the coefficient of independent variables and significance of the variables were used determining largely the impact of each variable on probability of dependent variable. His study's result shows that loan interest rate implies a negative effect on repayment performance of recipients. By another way, as the loan interest rate increases the probability of loan default increases and thereby, negatively affects loan repayment performance of borrowers.

Onyeagocha& Chidebelu (2012) carried a study on determinant of loan repayment performance in Southeast State of Nigeria. They hypothesized that loan size to have a negative relationship with repayment rate. In other words, the higher the loan size given by the institution, the lower was the repayment rate of the clients. Their regression results strongly disagreed with this hypothesis. It stipulated that the higher the size of the loan to clients, the higher the repayment rate. This situation appears to be most unlikely because the amount to be repaid was relatively larger and if the loan was from development oriented institution with subsidized interest rate and little chance of repeat loans, the pressure or inclination of such clients would be to delay repayment.

As Apunyo (2011) he did a study that sought to determine the effect of interest rates on loan repayment in Uganda's commercial banks using study of Equity bank. The analysis was implemented based on data obtained from 10 bank officials and 50 customers. The data analysis was based on the objectives of the study and done by use of Statistical Package for Social Sciences on collected data. The result of the study reveals that there is to great extent a close relationship between interest rates and loan repayment in conjunction with business growth and performance. High interest rates, coupled with lack of entrepreneurial skills were seen as the major factors that have a direct bearing with the loan repayment among Equity Bank loan customers. The study also established that all respondents were fully aware of the effect of interest rates role played by micro-credits in regards to business performance. Basing on their views, the provision of loans to entrepreneurs has a great impact on the businesses performance as compared to businesses not facilitated by micro-credits. This partly explains unenthusiastic regard of the management of Uganda Micro Finance Institutions to their improvements, in the credit terms to their client's entrepreneurs. However the businessperson appeared to be supportive to the micro-credit scheme, they yarned and claimed for increase of their loans and reduction on the interest rates and requested for entrepreneurship skill training and loan investment workshop as being the major factors that will lead to the improvement of their business performance.

Kohansal and Mansoori (2009) found that received loan size has positive effect on repayment performance of recipients. The study result of Oladeebo& Oladeebo (2008) showed that amount of loan obtained by farmers was the major factors that positively and significantly influenced loan repayment. Afolabi (2010) obtained that the amount of loan granted to farmers has major significant positive influence loan repayment. Among the determinants of loan repayment of microfinance institutions, loan size had positive impact on loan repayment.

According to Muhammad *et al* (2012) who carried out a study to provide the perception of Pakistani bankers regarding the economic factors causing non-performing loans in the Pakistani banking sector since 2006, the study was conducted via a well-structured questionnaire and data was collected from 201 bankers who were involved in the lending decisions or analyze the credit risk or handling non-performing loans portfolio. Correlation and regression analysis was carried out to analyze the impact of selected independent variables (Interest Rate, Energy Crisis, Unemployment, Inflation, GDP Growth, and Exchange Rate) on the non-performing loans of Pakistani banking sector. Top 10 Pakistani banks were selected as a sample. According to the results Pakistani bankers perceive that Interest Rate, Energy Crisis, Unemployment, Inflation, and Exchange Rate has a significant positive relationship with the non-performing loans of Pakistani banking sector while GDP growth has significant negative relationship with the non-performing loans of Pakistani banking sector. The study also discussed how good loans are turning into bad loans due to disaster in energy sector of Pakistan and how these energy crisis are badly affecting the banking sector of Pakistan.

Yacob (2014) analyzed the socio-economic factors that affect the institution’s loan repayment performance Eritrean Saving and Micro Credit Program of Dekemhare Sub-Zone using the stratified sampling technique. The data collected from a sample of 134 respondents, which were 67 defaulters and 67 non-defaulters. A structured questionnaire was used to collect the primary data and descriptive statistics and the probit model were employed to analyze the data. The socio-economic characteristics of the respondents were described using averages, percentages while the factors influencing loan repayment performance of the saving, and Micro Credit Program loans were analyzed using the binary probit regression model. Results of the regression analysis revealed that the level of education, loan amount and loan category have insignificant effect on the probability of the loan repayment. On the other hand, age, gender, type of business and credit experience are significant determinants where age and type of business have negative relationship and gender and credit experience have positive relationship with the loan repayment probability.

Koopahi and Bakhshi (2002) to identify defaulter farmers from non-defaulters of agricultural Bank recipients in Iran research have conducted using of a discriminate analysis. The researchers found that using of machinery, length of repayment period, Bank supervision on the use of loan had statistical significant and positive effect on the agricultural credit repayment performance. In the contrary, incidence of natural disasters, higher level of education of the loan receiver and length of waiting time for loan processing had negative effect on dependent variable. Other study has been conducted at Bangladesh on the loan repayment performance of borrower obtained a statistical significant positive relationship between households asset/income position/ and its loan default status.

2.3.2 Local Empirical studies in Ethiopian Context

According to Fikirte (2011) under took a study on determinants of loan repayment performance: a case study in the Addis Credit and Saving Institution, Addis Ababa, Ethiopia. Based on a sample of 200 randomly selected clients, she analyzed the socio-economic factors that influence loan repayment. A total of twelve explanatory variables were included in the regression. Out of these, six variables were found to be significant for the probability of being defaulter. Age and five business types (baltina and petty market, kiosk and shop, services providing, weaving and tailoring, and urban agriculture), sex, and business experience of the respondents were found to be significant determinants of loan repayment performance.

As Tolosa (2014) who have been conducted his study on performance of loan repayment determinants in Ethiopian microfinance. The researcher revealed that an increasing age of borrowers can significantly influence repayment performance of borrowers. The elder borrowers have better repayment performance than that of youngsters as argued by Abafita(2003) and Fikirte(2011) respectively. Hence age, education, time laps between loan application and disbursement, loan size, loan diversion, repayment period, number of dependents, availability of training and supervision and advisory service to borrowers were found significant to influence repayment performance of borrowers at 1 and 5% significance levels. The researcher employed binary logistic regression to estimate the model.

According to Muluken (2014) who had used a probit regression model to analyze Factors affecting loan repayment performance of floriculture growers: the case of development Bank of Ethiopia, the result shows that among nine explanatory variables, which were hypothesized to influence loan repayment performance among floriculture credit borrowers, four explanatory variables namely education level, number of follow ups/supervisory project visit by credit officers, sustainable floriculture certification status and farming experience were statistically significant while the remaining five were less influential in explaining the variation in the dependent variable.

As of the study by Brehanu and Fufa (2008) who studied on the determinants of loan repayment rates for agricultural loans in Ethiopia. They found that borrowers with larger farms, higher numbers of livestock and farms located in areas with sufficient rainfall had a higher capacity to repay their loans. Moreover, borrowers who had higher education level, extra business income and those who were experienced in using agricultural technology had a good repayment performance. In addition, Dayanandan and Woldesilassie (2008) in their study on loan determinants of small farmers in northern Ethiopia, found that amount of credit, educational status and occupation, experience in credit use, repayment period, ownership of livestock and credit follow-up by credit officers or when there is close supervision of how the fund is being utilized were important factors in loan repayment.

Shaik and Tolosa (2014) studied performance of loan repayment determinants in Ethiopian Micro Finance - an analysis to major socio- economic and loan related

Factors that determine loan repayment performance of borrowers in Sidama Micro Finance Institution. The study employed explanatory research design with quantitative and qualitative methods. The quantitative aspect of the data focused on description of socioeconomic variables, loan and related variables, and business related variables and analysis of relationship among the dependent and explanatory variables for the study. Multi-stage probability sampling technique was used. The result of binary logistic model show that age, education, time laps between loan application and disbursement, loan size, loan diversion, repayment period, number of dependants, training, and supervision were significant. The coefficients of these all-significant variables were negative except education level and time laps between loan application and disbursement. On the other hand, family size of respondents, repeatedly borrowing, business experience, agricultural type business, and non-agricultural type business were found insignificant. Overall, the binary logistic model successfully predicted factors contributing to 89.9% of micro credit loan repayment problem among Sidama Micro Finance Institution.

Wondimagegnehu (2012) also in his study "determinants of NPLs on commercial banks of Ethiopia" revealed that underdeveloped credit culture, poor credit assessment, aggressive lending, botched loan monitoring, lenient credit terms and conditions, compromised integrity, weak institutional capacity, unfair competition among banks, willful defaults by borrowers and their knowledge limitation, fund diversion for unexpected purposes and overdue financing has significant effect on NPLs. Conversely, the study indicated that interest rate has no significant impact on the level of commercial banks loan delinquencies in Ethiopia.

Similarly, Mitiku (2014) studied the "Determinants of Commercial Banks Lending: Evidence from Ethiopian Commercial Banks using panel data of eight commercial banks in the period from 2005 to 2011 with the objective of assessing the relationship between commercial bank lending and its determinants (bank size, credit risk, GDP, investment, deposit, interest rate, liquidity ratio and cash required reserve). Based on seven years financial statement data of eight purposively selected commercial banks and using Ordinary Least Square (OLS) technique, the study found that there was significant relationship between commercial bank lending and its size, credit risk, gross domestic product and liquidity ratio. While interest rate, deposit, investment, and cash reserve required do not affect Ethiopian commercial bank lending.

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

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

Samuel (2011) found out that income from activities financed by the loan is important and significant factor that enhances the credit repayment performance. The researcher suggested that credit/loan size was found to negatively influence the borrowers' loan repayment performance.

Tnsue (2011) found that income from the loan activities financed by institution is significant determinant of the probability of loan repayment. The researcher found that loan size was significant determinant of the probability of loan repayment Additionally, Abafita (2003 analyzed the microfinance repayment performance of Oromia Credit and Saving Institution (OCSI) in Kuyu, Ethiopia. According to his finding income from activities financed by loan is positively and significantly related to loan repayment performance and thereby reduces loan default. According to the findings loan size was found to be significantly increase loan default.

Berhanu and Fufa (2008) studied the determinants of loan repayment performance of smallholder farmers in North Gondar, Ethiopia. Their finding revealed that loan amount was found to have insignificant effect on loan repayment performance.

Mohamed (2003) argued that high interest rate caused delay in repayments of agricultural credit.

Kabede, Tegegn and Tafese (2016) undertook a study in Ethiopia. The general objective of the study was to analyze and identify the major factors that determine loan repayment performance of the small scale enterprises and to identify the major challenges of the MFI's in the Wolaita and Dawuro area. The specific objectives were to identify the major socio-economic factors that influence loan repayment rate of the borrowers of micro finance institution, to examine the businesses and loan related factors influence the repayment performance of the Private borrowers and to investigate the major problems faced by the borrowers and lenders in the repayment process in micro finance institution. The study employed explanatory research design with quantitative and qualitative methods. For this study multi-stage probability sampling techniques were used. About 300 sample respondents were selected through using simple random sampling technique. The study results showed that purpose of borrowing may not have a notable implication on the loan repayment performance of borrowers. Loan diversion was also found as essential and significant determinant of loan repayment rate negatively. This means, diverting loan into non-income generating activities increases default rate. The study recommended that the institution should give attention to continuous follow-up on proper loan utilization. Repayment period is also found to be a significant determinant of loan repayment performance of borrowers. Suitability of loan repayment period for borrowers was found to significantly increase the probability of repaying loan. Therefore, the institution has to give enough time to clients so that they will be able to work with the loans they have borrowed and arrange the time to collect loan that will be suitable for them to sell their business output.

According to Addisu (2006), even though studies on the factors determining loan repayment finance institutions borrowers give mixed and overlapping results, the general consensus is that is determined by willingness, ability and other characteristics of the borrowers; businesses characteristics and characteristics of the lending institutions including product designs and suitability of their products to borrowers. Other external factors such as the economic, political, and business environment in which the borrower operates are also important determinants of loan repayment.

According to Gebremedhin (2010) carried out a study on Determinants of Successful Loan repayment performance of Private Borrowers in Development Bank of Ethiopia, North Region. In the study, primary and secondary data collection methods were used. The study used stratified random sampling where borrowers were selected in such a way that it comprised their loan repayment status. The findings of the study revealed that diverting loans to more productive projects will have positive impact on successful loan repayment while if the loan is diverted to less feasible projects then it will have a negative impact on repaying the loan successfully. Hence, the sign of diverting loans to another purpose cannot be predetermined.

As of Sileshi et al. (2012) who investigated loan repayment performance of government credit to small holder farmers in East Hararghe, Ethiopia. The credit was meant to increase production and productivity through improved agricultural technologies. The findings indicated that agro-ecological zone, off-farm activity and technical advice from extension officers positively influenced loan repayment performance, while production loss, informal credit, festivals and loan-to-income rate negatively influenced loan repayment at 95 percent confidence level.

Haile (2015) clearly showed that 69.16% of the defaulter respondents' residence and businesses were near Harari Microfinance institutions, whereas 30.84% were not near to Harari MFI. As a result, distance of borrowers from the offices doesn't affect the loan repayment rate of borrowers. This implies being far and/or near to the Microfinance institutions was not related to the loan repayment performance and thereby to loan default.

2.4 Literature and Knowledge Gap

According to the past research studies reviewed, it is evident that not much research has been carried out in Ethiopia regarding factors determining loan repayment performance of foreign owned investment borrowers in Ethiopia.

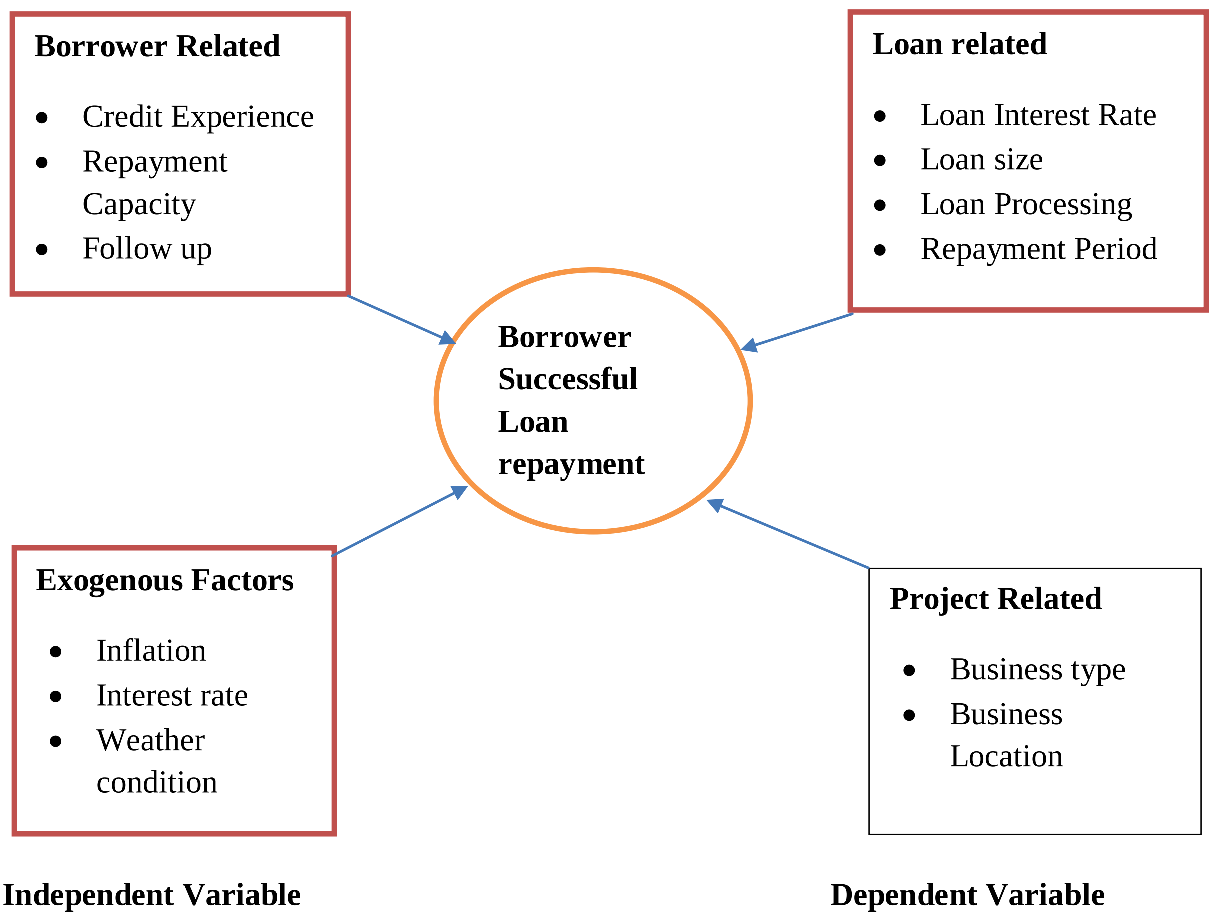
The existing research in Ethiopia was mainly on micro finance institutions Jemal (2003), make a research on Microfinance and loan repayment performance, case study of the Oromia Credit and Savings Share Company in kuyu; Abraham (2002) make a research on factors behind loan defaulters which was a case study of private borrowers financed by Development Bank of Ethiopia Zway Branch; Yodit Tadesse(2017)studied on factors affecting loan repayment performance: the case of Enat bank share company; Abreham garomsa(2017)on assessment of factors affecting loan repayment performance of borrowers: An empirical study on selected microfinance institutions in oromia region; and Eyob Aya(2018) studied on Factors influencing loan repayment performance in microfinance institution: the case of Demba gofa woreda Ethiopia.

To the best of the researcher knowledge not even a single research has identified and investigated the determinants of loan repayment, and specifically focusing on the determining factors to repay their loan in the context of foreign borrowers in Ethiopia. Globally the gap still remains unfilled as only few studies have been done on the same study. That implies that there exists knowledge gap on the determining factors which these studies intend to fill. Therefore, there was a need to carry out this research in order to help financial institutions to understand the factors affecting successful loan repayment performance of foreign direct investors in Ethiopia.

2.5 Conceptual Framework

Based on revising different scholarly literature reviews the following framework has been formulated to see the relationship between explanatory variables (borrower related factors, loan related factors, project related factors and exogenous variables).

Figure 1: Conceptual Framework



Source: Florence & Daniel (2014),Eyob (2018), Michael (2017) and modified by the researcher

CHAPTER THREE

3 METHODOLOGY

This section contains five major components; the first part discussed the research approach, the second part contains research design part presented target populations and third part contains sampling frame and fourth part presents issues related to data collection methods and sources and Finally, the fourth, the fifth and sixth parts discussed the data processing, data analysis and presentation method, validity assurances and research ethics respectively.

3.1 Research Approach

The strategy that was used in the study contains diverse methods and tools that are relevant to achieve the desired research outcome. Accordingly, the researcher was employed both quantitative and qualitative (mixed methods) approach in this study. The use of quantitative approach of inquiry is necessary when the researcher want to deeply investigate and analyze an event, program and problem very well (Creswell, 2003). The purpose of the quantitative aspect of this study is to seek information that can be generalized about social media roles. The study was based on survey design with a structured and semi-structured questionnaire, interview and document analysis. On the other hand, the purpose of the qualitative strategy is to search for data that can supplement the gap that might not be captured by the quantitative.

3.2 Research Design

The main aim of this study is to identify the determinants of successful loan repayment performance in foreign owned investments in Ethiopia. Thus, both explanatory type and descriptive type of research designs were employed.

Descriptive research studies are those studies which are concerned with describing the characteristics of a particular individual, or of a group like describing their age, gender, educational level and analyzing the response on respondent's agreement state on factors influencing successful loan repayment.

Explanatory designs try to establish cause-and-effect relationships. The primary purpose of explanatory research design is to determine how events occur and which ones may influence particular outcomes, which looks for the relationship among the different factors influencing successfully loan repayment as per the conceptual model.

3.3 Target population, Sampling Technique and Sample size

Population is the entire aggregation/total of items from which samples can be drawn. Determining type and method of sampling mainly depends on the types of population that the study covers. There are eighteen Banks in Ethiopia. Among these banks high number of foreign direct investors have loan in two Banks, such as in Commercial Bank of Ethiopia and Development Bank of Ethiopia. Based on the size of the registered loan borrowers the researcher used purposive sampling to select two banks' borrowers. This was for the purpose of getting higher number of borrowers within short period of time. As Kothari (2004) if the population from which a sample is to be drawn does not constitute a homogeneous group (segmentation geographically and diversified investment sectors), then stratified sampling technique is applied to obtain a representative sample. Among these banks this study was focused on list of foreign borrowers invested in Ethiopia in two selected Banks such as Commercial Bank of Ethiopia and Development Bank of Ethiopia. Hence, the target study population was comprised of foreigners who are investing in different main sectors (Agriculture, Manufacturing, and service sectors).

Because the total number of borrowers in two banks are 97(about 70 from CBE and 27 from DBE), which is very small the researcher used census study. Then, by using proportional stratified sampling the researcher stratified these borrowers. Out of which 65were repaying their loan regularly and 32 of them were paying their loan but not in regular term. In addition, six loan officers, and three customer relationship management Directors from each bank (Commercial Bank of Ethiopia and Development Bank of Ethiopia) were interviewed. Their opinions and comments on successful loan repayment of foreign borrowers were used in conclusion and recommendation of the study.

3.4 Data Sources and Collection Methods

This study was used primary and secondary source of data. Secondary source of data was used previous literatures, document papers, and unpublished materials. Regarding the primary data sources, the researcher was used structured questionnaire as a main instrument and interview. Questionnaire was used to collect data from different loan borrowers to gather the information needed for the research by using a five point Likert response scale. Interview was used to gather information from Commercial Bank of Ethiopia and Development Bank of Ethiopia loan officers and customer relationship management directors.

3.5 Model Specification

The successful loan repayment performance of financed project is measured on payment effected fully in their debt based on the contractual agreement. The financed project borrowers are either fully paid its debt according to the contractual agreement or not. The Multiple regression analysis would be applied for the research to address research objective which includes all variables together.

The multiple regression models for the study would be as follows:

$$SLR = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + \beta 6X6 + \beta 7X7 + \beta 8X8 + \beta 9X9 + \beta 10X10 + \beta 11X11 + \beta 12X12 + \varepsilon$$

Where,

X1= Loan size

X2=Borrower business experience

X3=Borrower repayment capacity

X4=Loan interest rate

X5=Repayment period

X6=Loan processing period

X7=Loan follow up

X8=business type

X9=business location

X10=Inflation

X11=weather condition

X12=Political stability

β0=Successful loan repayment in absence of Loan size, borrower business experience, borrower repayment capacity, loan interest rate, repayment period, loan processing period, loan follow up, business type, business location, inflation, weather condition, political stability.

β1 =The partial change in the successful loan repayment due to one unit change in Loan size while other things remain constant.

β2= The partial change in the successful loan repayment due to one unit change in borrower business experience while other things remain constant

β3= The partial change in the Successful loan repayment due to one unit change in borrower repayment capacity while other things remain constant

$\beta 4$= The partial change in the Successful loan repayment due to one unit change in loan interest rate while other things remain constant

$\beta 5$=The partial change in the Successful loan repayment due to one unit change in repayment period while other things remain constant

$\beta 6$=The partial change in the Successful loan repayment due to one unit change in loan processing period while other things remain constant

$\beta 7$=The partial change in the Successful loan repayment due to one unit change in loan follow up while other things remain constant

$\beta 8$=The partial change in the Successful loan repayment due to one unit change in business type while other things remain constant

$\beta 9$=The partial change in the Successful loan repayment due to one unit change in business location while other things remain constant

$\beta 10$=The partial change in the Successful loan repayment due to one unit change in inflation while other things remain constant

$\beta 11$=The partial change in the Successful loan repayment due to one unit change in weather condition while other things remain constant

$\beta 12$=The partial change in the Successful loan repayment due to one unit change in political instability while other things remain constant

ε= other factors undefined

3.6 Measurement of Variables

Table 3.2 Variable definition and measurement

Variables	Definition	Measurement	Expected Sign
Credit Experience	Borrowers, who have no or less experience, will contribute for default.	Five point likert scale(1=strongly disagree to 5=strongly agree)	+ve
Follow up	Performing fledged follow up as per the schedule the probability of defaulting is less.	Five point likert scale(1=strongly disagree to 5=strongly agree)	+ve
Profitability of business	The more the profitability of projects, the less the probability of being default.	Five point likert scale(1=strongly disagree to 5=strongly agree)	+ve
Loan size	The total amount that a borrower is authorized to borrow. More and sufficient loan size and low default.	Five point likert scale(1=strongly disagree to 5=strongly agree)	+ve
Interest Rate	Interest rates refer to an amount that one pays for money or an asset borrowed. Increase in lending interest rate increases the probability of being default.	Five point likert scale(1=strongly disagree to 5=strongly agree)	-ve
Good weather condition	Good weather condition and low default.	Five point likert scale(1=strongly disagree to 5=strongly agree)	+ve
Political	It is a lifestyle of peoples and	Five point likert	+ve

stability	governments characterized by appropriate and well-thought-out decisions, consistent behavior and moderate mood swings and politically stable country.	scale(1=strongly disagree to 5=strongly agree)	
Inflation	It is a general increase in prices of loan and fall in the purchasing value of money.	Five point likert scale(1=strongly disagree to 5=strongly agree)	-ve
Loan processing period	The entire sequence of steps, from the time a loan application is received (or a loan offer is accepted) to the time loan is approved to borrowers.	Five point likert scale(1=strongly disagree to 5=strongly agree)	+ve
Repayment Capacity	The borrowers' ability to repay term debt on time. High repayment capacity enhances repayment. The more having high repayment capacity the more successfully repay the loan.	Five point likert scale(1=strongly	+ve
Repayment period	The time over which the borrower will repay the loan to the lender (Short term or long term).	Five point likert scale(1=strongly	+ve

Source: own research compilation (2019)

3.7 Data Analysis and Presentation

Both the descriptive and inferential analysis was conducted using statistical software called Statistical Package for Social Science V20. Descriptive analysis was used to analyze data gathered through questionnaires. The data gathered through questionnaires was fed into SPSS to make the data ready for processing. At last presentation and report was done through graphs, figures, and tables. Multiple regression analysis was also applied for the research to address research objectives. And the inferential statistics is used to examine the relationship and the direction of the relationship between successful loan repayment performance and loan default causes.

3.8 Reliability

To ensure the reliability of the measurement scales, Cronbach's alpha was used in the calculation. Where by a higher value of above 0.6 indicated that the variables were reliable while the values above 0.9 are regarded as most reliable but anything below 0.6 was regarded inconsistent with the reliability scales as according to George &Mallery (2003) who suggested that in order for a scale to be reliable, the Cronbach's alpha value should be above 0.6.

Table 3.3: Cronbach's Alpha Coefficients for the Pilot Test

Item	Cronbach's Alpha	No. of items	Reliability
Loan size	0.861	3	Reliable
borrower repayment capacity	0.892	3	Reliable
borrower business experience	0.813	3	Reliable
loan interest rate	0.915	3	Reliable
Loan repayment period	0.944	3	Reliable
loan processing period	0.827	3	Reliable
loan follow up	0.880	3	Reliable
business type	0.899	3	Reliable
business location	0.843	3	Reliable
inflation	0.898	3	Reliable
weather condition	0.855	3	Reliable
political stability	0.818	3	Reliable
Total	0.797	36	Reliable

Source: Own Research Result, 2019

Table 3.3 above shows the reliability test for the independent variables Loan size, borrower business experience, borrower repayment capacity, loan interest rate, repayment period, loan processing period, loan follow up, business type, business location, inflation, weather condition, political stability.

Based on the examination of the research scales and constructs the Reliability Test for all determining factors of each variable represents a reliable and valid construct.

3.9 Validity

Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. The questionnaire was carefully designed and tested with a few members of the population for further improvements. Content validity of the survey questionnaire was validated by professionals, and the research advisors. A pilot test was used to ensure validity, a pre-test was sent to ten respondents to see if the questionnaire contains anything that was hard to interpret and using the ten sampled questionnaires validity test was made. Thus, using Kaiser-Meyer-Olkin (KMO) Measure of Validity test method the following results were found.

Table 3.4 Validity Test result

No.	Items	Kaiser-Meyer-Olkin (KMO) Measure of Validity test
1	Loan size	0.663
2	borrower business experience	0.697
3	borrower repayment capacity	0.698
4	loan interest rate	0.757
5	Loan repayment period	0.765
6	loan processing period	0.706
7	loan follow up	0.725
8	business type	0.746
9	business location	0.709
10	Inflation	0.742
11	weather condition	0.726
12	political stability	0.659

Source: Own Research Result, 2019

From the above table 3.4, all values of the variables are above 0.60. According to Sharma (1996) as cited in Gezahegn(2015), it is said to be acceptable measure if the KMO value above 0.60 is Acceptable.

3.10 Ethical Issues

According to Leedy and Ormrod (2013), in doing any research, there is an ethical responsibility to do the work honestly and with integrity. The basic principle of ethical research is to preserve and protect the human dignity and rights of all subjects involved in a research project In this regard, the researcher would inform that the respondents 'information is confidential and used only for the study purpose. Before the data collection, the ethical issues were taken in to consideration when the study is conducted. Appropriate communication would be undertaken with the staff of the bank and foreign investors. Anyone who may not interest to involve and bring any information would not be included in the study. For the purpose of respondents 'security their names would not written on the questionnaire. As a general rule, therefore the study was not raising any ethical anxiety.

CHAPTER FOUR

4 RESULTS AND DISCUSSIONS

In this chapter, the data collected has been analyzed and interpreted. The primary focus of this study is to identify the determinants of successful loan repayment performance in foreign owned investments in Ethiopia. The data collected is mainly based on respondents' expectations and perceptions of the various challenges. The first part of the questionnaire consists of demographic information of the respondents. The second part of the questionnaire presents the descriptive analysis on variables of the study and the next part deals with the results of regression and correlation between successful loan repayment determinants and successful loan repayment performance. In this analysis SPSS version 20.0 was used to make the necessary calculations. A total of 97 questionnaires are distributed to potential respondents and only 96 questioners were filled and returned appropriately. Thus, 96 were workable questionnaires and analyzation was made based on this data. About 9 bank staffs were interviewed and all of nine staffs were responded properly. Their responses were discussed in detail below in this chapter part 4.6.

4.1 Demographic Characteristics

This part shows the demographic information of the study companies and respondents. The study participants on survey questionnaire have different information; besides these differences they introduce different responses towards successful loan repayment determinants. The study sought to establish like the Age, gender, position in the company and time gap of application for loan and approval of loan. The companies' profile who participated in the study is presented with 96 respondents.

Table 4.1 Demographic characteristics of the respondents

Questions	Response category	Count	Percentage
Experience of borrowers in years	1) <2 years	24	25
	2) 3-5 years	22	22.9
	3) 6-10 years	33	34.4
	4) >11 years	17	17.7
Gender	1) Male	59	61.5
	2) Female	37	31.5
Position in the company	1) Manager	38	39.6

	2) Finance Department	25	26
	3) Marketing Department	20	20.8
	4) Logistics department	9	9.4
	5) HR department	4	4.2
From which bank did you borrow the loan?	1) DBE	27	28.1
	2) CBE	69	71.9
Time Gap between applying the loan and sanctioning of the Loan.	1) <2 Month	11	11.5
	2) 3-5 Month	17	17.7
	3) 6-9 Month	20	20.8
	4) 10-12 month	29	30.2
	5) >1 year	19	19.8

Source: own research result (2019)

From the demographic profile of the respondents most of the respondents about 34.4% were having 6-10 years' work experience in the companies. This indicates that our research survey reduces the information biases. About 61.5% of them were male respondents and about 31.5% of them were female respondents. Thus, all gender categories were included for this study in respect to borrowers.

About 39.6% of the respondents were managers, about 26% of finance manager, about 20.8% of them was Marketing Department, about 9.4% of them were logistic department and about 4.2% of them were HR department. Thus, from this finding almost all departments positions and personals in the borrowers were included in the study.

About 28.1% of the respondents were borrowed the loan from development bank of Ethiopia and about 71.9% of the borrowers were borrowed from Commercial Bank of Ethiopia. Thus, most of the respondents were found in Commercial Bank of Ethiopia.

From this finding about 11.5% of the respondents were said that the banks are approved the loan for less than 2 months, about 17.7% of them were said that after 3-5 month of application, about 20.8% of the respondents said that they get loan after 6-9 months of application, about 30.2% of them said that they get loan after 10-12 months, and about 19.8% of them said that they get loan after one-year application of loan by banks. This indicates that there is problem of immediate loan approval as soon as the foreign investors' application for loan in Ethiopia.

The survey indicates that there is great problem of immediate loan approval as soon as the foreign investors' application for loan in Ethiopia.

4.2 Descriptive statistics result

The study established that the descriptive statistics responses were measured on five point Likert scale with 1= Strongly Disagree; 2= Disagree; 3= Neutral; 4= Agree; and 5 = Strongly Agree as used by Worku(2015).

4.2.1 Loan Related Factors

4.2.1.1 Loan Size

Table 4.2 Descriptive statistics result summary about loan size

Questions	Responses				
	Strongly disagree	Disagree	neutral	Agree	Strongly Agree
Sufficient amount of loan borrower applied for the intended purpose has positive impact to successfully repay it.	4(4.2%)	5(5.2%)	12(12.5%)	30(31.3%)	45(46.9%)
Large amount of money creates huge capacity to performance with full capacity and effective manner.	3(3.1%)	9(9.4%)	13(13.5%)	28(29.2%)	43(44.8%)
Small amount of loan approved as compared to loan applied affect negatively to successfully repay it.	4(4.2%)	9(9.4%)	13(13.5%)	28(29.2%)	42(43.8%)

Source: own research result (2019)

From the above table result on the first sub-construct most of the respondents about 46.9% accounted for 45 respondents were strongly agreed that Sufficient amount of loan applied for the intended purpose has positive impact to successfully repay it. This result indicates that borrowing enough and required amount of loan for foreign investors encourages borrowers to successfully repay their loan on time. Based on the second sub-construct majority of the respondents were about 44.8% of them were strongly agreed that large amount of money creates huge capacity to performance with full capacity and effective manner. This also indicates that large and enough amount of money borrowing to foreign investors enhances their business capacity and then they would repay their loan regularly and with effective manner. The third sub-construct result indicates that most of the respondents about 43.8% of them were strongly agreed that Small amount of loan approved as compared to loan applied affect negatively to successfully repay it. From this finding one can infer that insufficient amount of loan borrowing to foreign investors compared to the applied for loan discourages them to repay the loan successfully.

Generally, from the finding one can conclude that sufficient amount and large amount of money lending applied for the intended purpose to investors enables them to perform their business with full capacity and effective manner. Therefore, enough amount of loan approving to foreign direct investors affect successful loan repayment performance of the banks in Ethiopia. This finding is parallel with Acquah and Addo (2011) who studied on the determinants of loan repayment performance of fishermen, Ghana. By employing multiple regression analysis in their study, their results revealed that amount borrowed and size of loan invested into fishing as significant predictors of loan repayment.

4.2.1.2 Loan interest rate

Table 4.5 Descriptive statistics result summary about loan interest rate

Questions	Responses				
	Strongly disagree	Disagree	neutral	Agree	Strongly Agree
High interest on amount of loan borrowed affect loan repayment.	6(6.3%)	8(8.3%)	8(8.3%)	28(29.2%)	46(47.9%)
Irregular Changes in interest rate on loan affects loan repayment	4(4.2%)	12(12.5%)	6(6.3%)	25(26%)	49(51%)
Interest rate of banks increases the burden on loan repayment.	8(8.3%)	9(9.4%)	2(2.1%)	28(29.2%)	49(51%)

Source: own research result (2019)

Based on the result found from the above table most of the respondents about 47.9% of them were strongly agreed that high interest rate on amount of loan borrowed affect loan their repayment. This means high interest rate imposed on loan discourage successful loan repayment of borrowers in Ethiopia. From the second sub-construct about 51% of the respondents were strongly agreed that Irregular Changes in interest rate on loan affects borrowers' loan repayment. The finding indicates that if there is irregular increase on amount of loan borrowed the investors could not able to repay their loan successfully.

From the third sub-construct about 51% of the respondents were strongly agreed that Interest rate of banks increases the burden on loan repayment. The amount of interest rate imposed for loan increase the borrower burden and couldn't repay their loan regularly and successfully.

From the finding one can infer that increase and irregular change in interest rate discourage foreign investors for successful repayment of the loan. This descriptive finding is supported by Ngetich&Wanjui (2011) who carried out a study that sought to establish the effects of interest rate spread on the level of Non-Performing Assets (NPAs). The study adopted a descriptive research design on a sample of all commercial banks in Kenya operating by 2008 which were 43 in number. The study used both quantitative and qualitative techniques in data analysis to the relationship between the interest rate spread and loan non-performance. The study found and concluded that interest rate spread affects performing assets in banks as it increases the cost of loans charged on the borrowers, regulations on interest rates have far reaching effects on assets non-performance, for such regulations determine the interest rate spread in banks and also help mitigate moral hazards incidental to NPAs. Another study by as Apunyo (2011) sought to determine the effect of interest rates on loan repayment in Uganda's commercial banks using study of Equity bank. The result of the study reveals that there is to great extent a close relationship between interest rates and loan repayment in conjunction with business growth and performance. High interest rates, coupled with lack of entrepreneurial skills were seen as the major factors that have a direct bearing with the loan repayment among Equity Bank loan customers.

4.2.1.3 Repayment period

Table 4.6 Descriptive statistics result summary about loan repayment period

Questions	Responses				
	Strongly disagree	Disagree	neutral	Agree	Strongly Agree
Rigid repayment schedule discourage successful loan repayment.	12(12.5%)	6(6.3%)	4(4.2%)	28(29.2%)	46(47.9%)
Flexible repayment schedules improve borrowers' loan repayment.	6(6.3%)	9(9.4%)	5(5.2%)	33(34.4%)	43(44.8%)
Long repayment period enable borrowers to repay their loan regularly.	10(10.4%)	5(5.2%)	5(5.2%)	26(27.1%)	50(52.1%)

Source: own research result (2019)

Based on the above table finding in the first sub-construct most of the respondents about 47.9% of them were strongly agreed that rigid repayment schedule discourage successful loan repayment. This means if it n loan repayment schedule is not flexible it discourages successful repayment of borrowers. From the second sub-construct most of the respondents about 44.8% of them were strongly agreed that Flexible repayment schedules improve borrowers' loan repayment. Thus, we can infer from this finding that flexibility in loan repayment schedule by arranged by banks would increase the loan repayment. From the third sub-construct about 52.1% of the respondents were strongly agreed that Long repayment period enable borrowers to repay their loan regularly. Thus, one can infer that long period of repayment schedule for foreign investors like for example long term loans above ten years' repayment schedule would encourage and enable borrowers to successfully repay their loan.

Generally, from these findings, flexible repayment schedule and long term repayment schedules enables and encourages foreign investors to repay their amount of loan to repay successfully and regularly. This finding is supported by Mohd (2013) studied on the determinants of repayment performance of microfinance programs in Malaysia in the case of individual lending approach.

He revealed that repayment schedule, and repayment period have negative coefficient between the delinquent borrowers and good borrowers. The researcher had employed a descriptive analysis and multinomial logit model to estimate the equations and analyze the results. He has found out the fact that when the business of the loan borrowers does not have enough of return to cover the scheduled payment on the repayment day, the loan borrowers will choose to defaulting their loans. Therefore, there is a relationship between the repayment schedule and loan repayment defaults. The researchers have found out that loan borrowers who repay their loans on a monthly-basis are good borrowers than default borrowers.

4.2.1.4 Loan processing period

Table 4.7 Descriptive statistics result summary about loan processing period

Questions	Responses				
	Strongly disagree	Disagree	neutral	Agree	Strongly Agree
Amount of time (Delay) taken to be approve affect loan repayment.	4(4.2%)	8(8.3%)	11(11.5%)	29(30.2%)	44(45.8%)
The Speedy procedure (short process) of loan approvals in the bank improves Borrower loan repayment.	6(6.3%)	11(11.5%)	8(8.3%)	34(35.4%)	37(38.5%)
The presence of bureaucracy of loan approvals results to low and inefficient repayment performance.	4(4.2%)	8(8.3%)	13(13.5%)	35(36.5%)	36(37.5%)

Source: own research result (2019)

Based on the first sub-construct about 45.8% of the respondents were strongly agreed that amount of time (Delay) taken to be approve affect loan repayment. This means if the time applied for loan compared to loan approval and disbursing time is too long the borrowers couldn't able to repay their loan at the time of scheduled loan repayment time because the borrower might need the loan at the time of loan application in the bank. From the second sub-construct about 38.5% of the respondents were strongly agreed that the Speedy procedure (short process) of loan approvals in the bank improves borrower loan repayment. This indicates that when the time duration between loan application and loan approval and disbursement is too short the borrowers might deserve the loan for their intended purpose for their business. Thus, borrowers can repay their loan regularly and successfully.

From the third sub-construct about 37.5% of them were strongly agreed that the presence of bureaucracy of loan approvals results to low and inefficient repayment performance. Foreign investors didn't want challenging bureaucracy of loan approvals then if there is boring bureaucracy of loan approval loan default may happen.

From the finding one can infer that speedy procedure (short process) of loan approvals in the bank improves borrower loan repayment, and presence of bureaucracy of loan approvals in different banks in Ethiopia results to low and inefficient repayment of foreign investors. This finding is supported by Abafita(2003) and Fikirte (2011) who conducted research on performance of loan repayment determinants in Ethiopian microfinance education. They found that time laps between loan application and disbursement was found significant to influence repayment performance of borrowers at 1 and 5% significance levels.

4.2.2 Borrower Related factors

4.2.2.1 Business experience

Table4.3 Descriptive statistics result summary about business experience

Questions	Responses				
	Strongly disagree	Disagree	neutral	Agree	Strongly Agree
The number of years the customer has banked/financed with similar Banks/projects affects repayment.	7(7.3%)	11(11.5%)	10(10.4%)	23(24%)	45(46.9%)
Borrowers having long credit experience have good knowledge of managing and handling the financial aspects of their business	5(5.2%)	12(12.5%)	10(10.4%)	28(29.2%)	41(42.7%)
Borrowers with a higher management experience have a lesser credit risk	4(4.2%)	5(5.2%)	14(14.6%)	34(35.4%)	39(40.6%)

Source: own research result (2019)

From the above table based on the first sub-construct most of the respondents about 46.9% of them were strongly agreed that the number of years the customer has banked/financed with similar Banks/projects affect their loan repayment. We can infer from this finding that if borrowers have long period of financial experience with the lending bank, they are successful to repay their loan to the bank.

From the second sub-construct most of them about 42.7% were strongly agreed that Borrowers having long credit experience have good knowledge of managing and handling the financial aspects of their business. This means borrowers with long credit experience can repay their loan successfully because their credit experience enables them to handle and manage their business financial aspects. From the third sub-construct about 40.6% of them were strongly agreed on the statement that Borrowers with a higher management experience have a lesser credit risk. This finding indicates that foreign investors having experienced management could reduce the financial and credit risk.

Generally, from these determining factor we can infer that borrowers having long period of financial experience with the lending bank, long credit experience, and having higher management experience can reduce credit risk and are successful to repay their loan to the bank because they can handle and manage their business financial aspect. This finding is consistent with Dayanandan and Woldesilassie (2008) who studied on loan determinants of small farmers in northern Ethiopia. They found that experience of borrowers in credit use was found to be significant determining important factors in successful loan repayment. As Tundui and Tundui (2013) who examined the sources and determinants of loan repayment among women microcredit clients in Tanzania. The author has demonstrated that business skills and management practices play a very significant role have a significant influence on loan repayment.

4.2.2.2 Borrower repayment capacity

Table 4.4 Descriptive statistics result summary about borrower repayment capacity

Questions	Responses				
	Strongly disagree	Disagree	neutral	Agree	Strongly Agree
The capital the borrower puts toward a potential investment is a guarantee of less risk	8(8.3%)	9(9.4%)	56(58.3%)	17(17.7%)	6(6.3%)
Down payments in investments indicate the borrower's level of seriousness makes loaning less risky.	3(3.1%)	14(14.6%)	56(58.3%)	17(17.7%)	6(6.3%)
Lending money after appraising the applicant’s capital and other source of repayment enhances recoverability of loans.	7(7.3%)	8(8.3%)	58(60.4%)	16(16.7%)	7(7.3%)

Source: own research result (2019)

Based on the above table result most of the respondents about 58.3% in the first sub-construct were neutral in their level of agreement on statement that the capital the borrower puts toward a potential investment is a guarantee of less risk. The finding indicates that respondents were indifferent whether the borrowers’ capital invested on the business can enable them to repay their loan.

From the second sub-construct most of the respondents about 58.3% of them were indifferent on the statement says “down payments in investments indicate the borrower's level of seriousness makes loaning less risky”. This means they respondents are indifferent that whether down investment in investment indicates their seriousness on loan reduces their loan default.

The third sub-construct finding indicates that about 60.4% of them were neutral on Lending money after appraising the applicant’s capital and other source of repayment enhances recoverability of loans. This result indicates that loan appraisal of the foreign investors capital and additional borrower business activities might not be enhance recoverability of loans if loan default is happen.

Generally, from the finding we can conclude that borrowers are indifferent on the loan repayment capacity, other source of income, and additional capital invested on business enable foreign borrowers to reduce their credit risk and enable them to successfully repay their loan to the bank. This finding is supported by the study carried out by Ojiako and Ogbukwa (2012) on economic analysis of loan repayment capacity of small holder co-operative farmers in Yewa North Local Government area of Ogun state, Nigeria. The result revealed a strong positive and significant relationship between loan size and capacity to repay. By implication, given that beneficiaries did not have the tendency to divert, if substantial amount was approved as loan to farmers, they would use the funds to acquire the basic tools, equipment, and improved technology and other inputs they would require to enhance their operational and marketing efficiency and make positive returns.

4.2.2.3 Loan follows up

Table 4.8 Descriptive statistics result summary about loan follow up

Questions	Responses				
	Strongly disagree	Disagree	neutral	Agree	Strongly Agree
Lack of follow up, providing sufficient technical support by loan officer for borrowers, through its follow up affect effective loan repayment.	7(7.3%)	5(5.2%)	9(9.4%)	20(20.8%)	55(57.3%)
Insufficient financial assistance by banks results to high loan default.	6(6.3%)	10(10.4%)	7(7.3%)	21(21.9%)	52(54.2%)
The absence of regular supervision on loan utilization affect for loan repayments.	6(6.3%)	6(6.3%)	11(11.5%)	27(28.1%)	46(47.9%)

Source: own research result (2019)

Most of the respondents about 57.3% were strongly agreed that Lack of follow up, providing sufficient technical support by loan officer for borrowers, through its follow up affect effective loan repayment. This means if there is sufficient technical support and regular follow up by loan officers in the bank the borrowers could repay their loan regularly and successfully. From the second sub-construct about 54.2% of them were strongly agreed that insufficient financial assistance by banks results to high loan default. This means if there is sufficient financial assistance by banks to borrowers assist their loan repayment and reduce the loan default.

From the third sub-construct about 47.9% of them were strongly agreed that the absence of regular supervision on loan utilization affect for loan repayments. Thus, one can infer that regular supervision on borrowers' loan utilization affect loan repayments.

Generally, from the finding we can infer that presence of follow up, providing sufficient technical support by loan officer for borrowers through their follow up affect effective loan repayment, and presence of regular supervision on loan utilization encourages for successful loan repayment. This finding is supported by Bichanga& Aseyo (2013) who carried out a study to find out the causes of loan default within Micro Finance Institutions (MFIs) in Trans-Nzoia County. Specific objectives were to investigate how non- Supervision of borrowers influences the loan repayment financed by MFIs in Trans-Nzoia county; to find out the effects of shrinking economic growth experienced by borrowers on loan repayment and to establish how diversion of loan funds by borrowers leads to default in loan repayment. The data was analyzed from questionnaires using both quantitative and qualitative techniques and tabulated by use of frequency tables. The study found out that loan repayment default was as result of non-supervision of borrowers by the MFIs, and also as a result of inadequate training of borrowers on utilization of loan funds before they received loans. The findings also revealed that most borrowers did not spend the loan amount on intended and agreed projects.

4.2.3 Project related

4.2.3.1 Business Type

Table 4.9 Descriptive statistics result summary about business type

Questions	Responses				
	Strongly disagree	Disagree	neutral	Agree	Strongly Agree
A more better proceeds/profits received from the business must exceeder than borrower actual costs	5(5.2%)	4(4.2%)	13(13.5%)	36(37.5%)	38(39.6%)
The loan invested on productive, profitable, and differentiated business result to successful loan repayment.	4(4.2%)	6(6.3%)	11(11.5%)	40(41.7%)	35(36.5%)
The amount of annual income from activities financed by the loan has effect on loan repayment.	3(3.1%)	6(6.3%)	10(10.4%)	39(40.6%)	38(39.6%)

Source: own research result (2019)

From the above finding on first sub-construct about 39.6% of the respondents were strongly agreed that better proceeds/profits received from the business must exceeder than borrower actual costs. Thus, we can infer that the business type invested is better and the borrowers' profit can be higher than the cost. Thus, they can repay their loan successfully.

From the second sub-construct about 41.7% of them were agreed that the loan invested on productive, profitable, and differentiated business result to successful loan repayment. The finding indicates that productive, profitable and differentiated businesses enable borrowers to repay their loan.

From the third sub-construct about 40.6% of them were agreed that the amount of annual income from activities financed by the loan has effect on loan repayment. This means that if the annual income generated from the invested business type is high then borrowers can able to repay their loan and there might not be loan default

Generally, from the finding one can infer that the type of business banks financed and borrower invested may generate sufficient proceeds compared to the actual business cost. Therefore, there might not be loan default toward the financed and invested business results to successful loan repayment of foreign investors. This finding is supported by Munene, Nguta, and Huka (2013**)** was carried out a study to establish the causes of such repayment defaults in Imenti North District, Kenya using a descriptive survey design individual microfinance loan beneficiaries and microfinance institution officials. The findings of the study revealed that there was a significant relationship between the types of business invested by borrowers and the type of business financed by bank, the age of the business, business profits, and loan repayment default. The study further indicates a strong link between business type and successful loan repayment performance.

4.2.3.2 Business Location

Table 4.10 Descriptive statistics result summary about business location

Questions	Responses				
	Strongly disagree	Disagree	neutral	Agree	Strongly Agree
Suitable production place near to available raw material affect loan repayment.	8(8.3%)	5(5.2%)	11(11.5%)	40(41.7%)	32(33.3%)
Suitable production or market place accessible for consumers and sell affect loan repayment.	3(3.1%)	11(11.5%)	9(9.4%)	36(37.5%)	37(38.5%)
Availability of sufficient market for the business invested affect loan repayment.	6(6.3%)	6(6.3%)	10(10.4%)	36(37.5%)	38(39.6%)

Source: own research result (2019)

From the above table about 41.7% of the respondents were agreed that Suitable production place near to available raw material affect loan repayment. This means if the business is near to available raw materials the raw material and transportation costs would be decreased and can repay the loan.

From the second sub-construct about 38.5% of the respondents were agreed that suitable production or market place accessible for consumers and sell affect loan repayment. From this finding if there is suitable market place for business the borrower could be profitable and can repay his/her loan borrowed from the banks.

From the third sub-construct, about 39.6% of them were strongly agreed that the availability of sufficient market for the business invested affect loan repayment. This means business near to the available market can sell the product.

Generally, the business near to Suitable production place, available raw materials and accessible market place for consumers enhances the product selling to its customers. Then, borrower can repay its loan to the bank regularly and successfully. This finding is supported by Haile (2015) who clearly showed that 69.16% of the defaulter respondents' residence and businesses were near Harari Microfinance institutions, whereas 30.84% were not near to Harari MFI. As a result, distance of borrowers from the offices doesn't affect the loan repayment rate of borrowers. This implies being far and/or near to the Microfinance institutions was not related to the loan repayment performance and thereby to loan default but distance of project far or near to the market place and raw material place affect successful loan repayment. Jeff, Andrew and Patricio (2010) pointed out that as a result of availability of input raw material the price of the product might constant or even less and the productivity of the company is enhanced and this might help the borrower to have successful loan repayment performance.

4.2.4 Exogenous Factors

4.2.4.1 Inflation

Table 4.12 Descriptive statistics result summary about inflation rate

	Strongly disagree	Disagree	neutral	Agree	Strongly Agree
The impact of inflation on the cost of loan affect borrowers to repay their loan	7(7.3%)	7(7.3%)	10(10.4%)	25(26%)	47(49%)
During inflation amount of loan default is high	5(5.2%)	10(10.4%)	12(12.5%)	23(24%)	46(47.9%)
Bank's inability to adjust loan repayment duration during inflation affect borrower loan repayment	7(7.3%)	5(5.2%)	9(9.4%)	30(31.3%)	45(46.9%)

Source: own research result (2019)

From the first sub-construct about 49% of the respondents were strongly agreed that the impact of inflation on the cost of loan affect borrowers to repay their loan. This means if there is high inflation the cost of loan would increase and borrowers couldn't repay their loan successfully.

From the second sub-construct most of them about 47.9% of the respondents were strongly agreed that during inflation amount of loan default is high. When inflation is occurred borrowers couldn't pay their loan regularly and there might be high loan default.

From the third sub-construct about 46.9% of them were strongly agreed that bank's inability to adjust loan repayment duration during inflation affect borrower loan repayment. If banks' couldn't adjust repayment schedule during inflation the borrowers would unable to repay their loan efficiently and effectively and there might be loan default.

From the finding one can infer that during inflation amount of loan default is high and if banks' couldn't adjust repayment schedule during inflation the borrowers would unable to repay their loan efficiently and effectively and there might be loan default. Thus, if there is inflation loan default may increase and borrower couldn't pay their loan successfully. Therefore, inflation affects successful loan repayment. The finding is parallel with the finding of Skarica (2013) who conducted a study on the determinants of NPLs in Central and Eastern European countries, by employing the Fixed Effect Model and seven Central and Eastern European countries for 2007-2012 periods, the study revealed that loan growth, real GDP growth rate, market interest rate, and inflation rate as determinants of NPLs. The results show that GDP growth rate and unemployment rate have statistically significant negative association with NPLs with justification of rising recession and falling during expansions and growth has impact on the levels of NPLs. This implies that economic developments have a strong impact on the financial stability. The result also discovered that inflation has positive impact on NPLs with a justification that inflation might affect borrowers' debt servicing capacities. Other researchers like Nyambok (2010) studied the relationship between inflation rates and liquidity of companies quoted at the Nairobi Stock Exchange (NSE). The author noted that increases in inflation had mixed effects on the liquidity of firms quoted at the NSE. The effects varied across different segments at the stock exchange. Nkusu (2011) explained that this relationship between inflation and loan repayment performance can be positive or negative. According to the author inflation affects loan payment capacity of borrowers positively or negatively, higher inflation can enhance the loan payment capacity of borrower by reducing the real value of outstanding debt. Moreover, increased inflation can also weaken the loan payment capacity of the borrowers by reducing the real income when salaries/wages are sticky.

4.2.4.2 Weather condition

Table 4.12 Descriptive statistics result summary about weather condition

Questions	Responses				
	Strongly disagree	Disagree	neutral	Agree	Strongly Agree
Bad weather conditions affect successful loan repayment.	6(6.3%)	4(4.2%)	6(6.3%)	36(37.5%)	44(45.8%)
The presence of natural disasters on financed project affects successful loan repayment.	5(5.2%)	5(5.2%)	8(8.3%)	29(30.2%)	49(51%)
The occurrence of drought affect business income and borrower unable to repay his/her debt	6(6.3%)	1(1%)	9(9.4%)	36(37.5%)	44(45.8%)

Source: own research result (2019)

From the above finding one can see that most of the respondents about 45.8% were strongly agreed that Bad weather conditions affect successful loan repayment. This means that if there is unfavorable weather conditions happen in the country the borrowers couldn't repay their loan regularly and efficiently. From the second sub-construct about 51% of them were strongly agreed that the presence of natural disasters on financed project affects successful loan repayment. When natural disasters happen in the project area they couldn't produce the required amount and their loan default might increase.

From the third sub-construct about 45.8% of were strongly agreed that the occurrence of drought affect business income and borrower unable to repay his/her debt. This indicates that when drought occur the business income may decrease and borrow unable to repay the loan successfully.

Generally, Bad weather conditions, the presence of natural disastrous and drought discourages borrowers on their successful loan repayment to the bank. This finding is supported by Gerald and Deogratius (2013) in their study examined the credit rationing and loan repayment performance Victoria savings and credit cooperative society in Tanzania. The study found that unfavorable weather conditions influenced loan repayment performance of borrowers.

4.2.4.3 Political Stability

Table 4.13 Descriptive statistics result summary about political stability

Questions	Responses				
	Strongly disagree	Disagree	neutral	Agree	Strongly Agree
Political instability impose additional costs and risks on the financial institutions and borrowers would not able to repay their debt	3(3.1%)	2(2.1%)	10(10.4%)	33(34.4%)	48(50%)
internal conflict in the country affect borrower business to supply its product to market and result to loan default	4(4.2%)	4(4.2%)	13(13.5%)	31(32.3%)	44(45.8%)
The presence of displacement of peoples in the country affects the sales potential of borrowers and results to loan default.	4(4.2%)	3(3.1%)	8(8.3%)	34(35.4%)	47(49%)

Source: own research result (2019)

From the first sub-construct about 50% of the respondents were strongly agreed thatPolitical instability impose additional costs and risks on the financial institutions and borrowers would not able to repay their debt. From this finding one can infer that political instability in the country affect borrower to produce and sell their product efficiently and couldn't repay the loan successfully.

From the second sub-construct about 45.8% of the respondents were strongly agreed that internal conflict in the country affect borrower business to supply its product to market and result to loan default. When there is internal conflict in Ethiopia the borrowers couldn't supply its product to different parts of the country to market. Therefore, when these happen borrowers might not be repaying the loan regularly and there might be high loan default.

From the third sub-construct about 49% of the respondents were strongly agreed that the presence of displacement of peoples in the country affects the sales potential of borrowers and results to loan default. When there is high displacement of the peoples in Ethiopia, the customers might not be able to buy the product and if these happen there may be a challenge of selling products. Therefore, borrowers' might not able to repay the loan.

Generally Political instability impose additional costs and risks on the financial institutions, internal conflict in the country affect borrower business to supply its product to market, and the presence of displacement of peoples in the country affects the sales potential of borrowers. Thus, borrowers might not be able to repay the loan regularly and successfully. Therefore, political stability affects the successful loan repayment of the foreign borrowers in Ethiopia. This finding is parallel with Diriba, and Hundessa (2019) who conducted on the assessment of causes of loan default in Wasasa Microfinance S.C Sabata town branch office in order to indicate information that enables to ensure its future sustainability. By making survey on 99 clients and 10employees, the result shows that, political instability, poor business plan, existence of illegal business and price fluctuation are four major external causes of loan default.

4.3 Inferential statistics result

This section describes the inferential statistical analysis of data which includes correlation analysis, coefficient of determination, analysis of variance and multiple regression analysis.

4.3.1 Correlation Analysis Result

The primary objective of correlation analysis is to measure the strength or degree of linear association between two variables. The correlation coefficient examines the strength and direction of the linear relationship between two variables. The correlation coefficient can range between -1 and +1, the larger the absolute value of the coefficient; the stronger the relationship between the variables. Zero (0) indicates no relationship between two variables. The sign of the relationship indicates the direction of relationship. P-value $\leq \alpha$: The correlation is statistically significant; if the p-value is less than or equal to the significance level, then we can conclude that the correlation is different from 0. P-value $> \alpha$: The correlation is not statistically significant; if the p-value is greater than the significance level, then you cannot conclude that the correlation is different from 0.

As such the following table shows the correlation between successful loan repayment performance and independent variables.

Table 4.14 Correlation analysis result

		LoanSize	Experience	Capacity	Loan Processing	LoanRepayment	Followup	InterestRate	Weather	Inflation	Political Stability	BusinessType	Business Locate	SLRP
LoanSize	Pearson Correlation	1												
Experience	Pearson Correlation	.399**	1	.										
Capacity	Pearson Correlation	.032	.014	1										
LoanProcessing	Pearson Correlation	-.038	.293**	-.223*	1									

SLRP	Business Location	BusinessType	PoliticalStability	Inflation	Weather	InterestRate	Followup	LoanRepayment
Pearson Correlation	Pearson Correlation	Pearson Correlation	Pearson Correlation	Pearson Correlation	Pearson Correlation	Pearson Correlation	Pearson Correlation	Pearson Correlation
.513**	.178	-.175	.252*	.286**	.110	.449**	.012	.291**
.712**	.103	-.015	.370**	.060	.191	.338**	.097	.458**
.093	-.009	-.077	.029	.032	.013	.163	.054	.242*
.305**	-.117	.038	.059	-.226*	.005	-.026	.156	.011
.503**	.248*	-.099	.068	.049	.318**	.231*	.065	1
.190	-.063	-.114	-.238*	-.086	.022	-.054	1	
.235*	.113	-.018	.359**	.145	.027	1		
.241*	.149	-.004	.078	-.029	1			
-.035	.153	-.043	.171	1				
.296**	.107	.094	1					
.015	-.207*	1						
.213*	1							
1								

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

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

Source: own research result (2019)

From the above 4.14 correlation table, we can see that most of the independent constructed variables were correlated with Successful loan repayment performance. Among the variables the highest and strong correlation coefficient was found between Borrower repayment experience and successful loan repayment performance (r=0.712), between Loan size and Successful loan repayment performance (r=0.513), followed by variables between loan repayment period and Successful loan repayment performance (0.503), between loan processing period and Successful loan repayment performance (0.305), between political stability and Successful loan repayment performance (0.296),weather conditions and Successful loan repayment performance (0.241) and between interest rate and Successful loan repayment performance(r=0.235), and between business location and Successful loan repayment performance(r=0.213). Therefore, from the above table we can conclude that eight of the constructed variables have positive and significant correlation with Successful loan repayment performance because the p (sig) value is less than α=.05 level while borrower capacity, follow up, inflation rate and business type had insignificant correlation with Successful loan repayment performance because the p (sig) value is greater than α=.05 level.

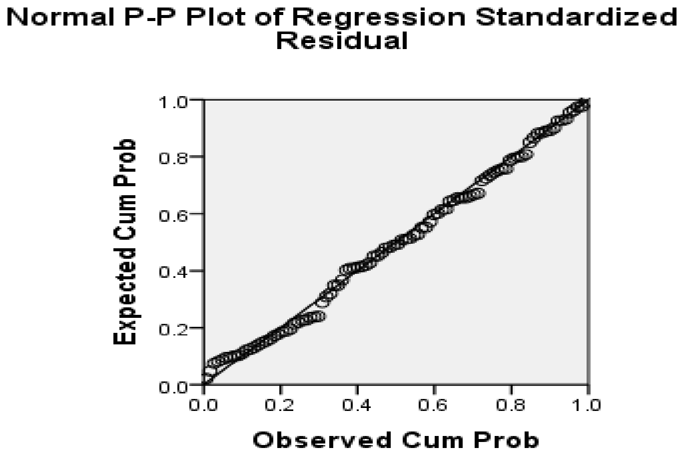
4.3.2 Diagnosis test about Assumptions of Regression Analysis

Before applying regression analysis, some tests were conducted in order to ensure the appropriateness of data to assumptions regression analysis as follows.

4.3.2.1 Linearity test

Linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variables. To determine whether the relationship between the dependent variable successful loan repayment performance and the independent variables Loan size, borrower business experience, borrower repayment capacity, loan interest rate, repayment period, loan processing period, loan follow up, business type, business location, inflation, weather condition, political stability is linear; plots of the regression residuals through SPSS V20 software had been used.

Figure 2: Linearity test.



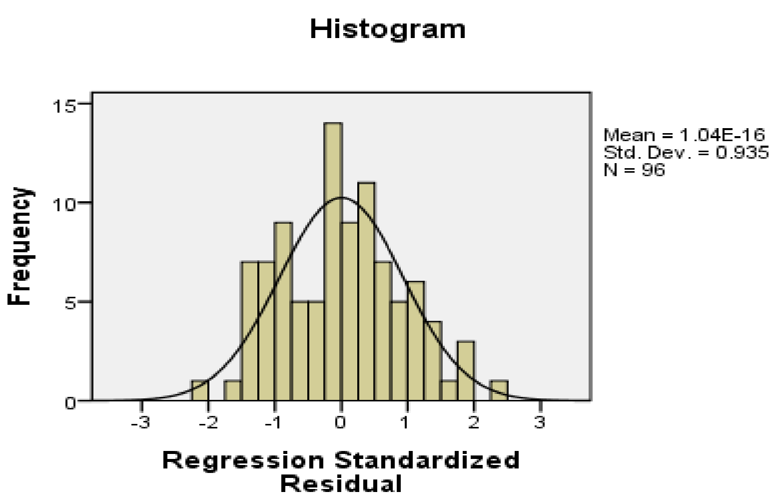
Source: own research result (2019)

From the above figure 2 the scatter plot of residuals shows no large difference in the spread of the residuals as you look from left to right on figure 2. This result suggests the relationship we are trying to predict is linear.

4.3.2.2 Normality test

Secondly, the linear regression analysis requires all variables to be multivariate normal. This assumption can best be checked with a histogram and a fitted normal curve or a Q-Q-Plot. As per the Classical Linear Regression Models assumptions, the error term should be normally distributed or expected value of the errors terms should be zero (E(ut)= 0).

Figure 2: Normality test



Source: own research result (2019)

Figure 2 shows the frequency distribution of the standardized residuals compared to a normal distribution. As you can see, although there are some residuals (e.g., those occurring around 0) that are relatively far away from the curve, many of the residuals are fairly close to 0. Moreover, the histogram is bell shaped which lead to infer that the residual (disturbance or errors) are normally distributed. Thus, no violations of the assumption normally distributed error term.

4.3.2.3 Multicolinearity test between Study Variables

Thirdly, linear regression assumes that there is little or no multi-co linearity in the data.

Multi-co linearity occurs when the independent variables are not independent from each other. A second important independence assumption is that the error of the mean has to be independent from the independent variables. Thus we can test using the following criteria.

1. Correlation matrix – when computing the matrix of Pearson's Bivariate Correlation among all independent variables the correlation coefficients need to be smaller than 1. Thus from this research finding correlation table indicates that all independent variables have correlation coefficient less than one see table 4.14.

2. Tolerance – the tolerance measures the influence of one independent variable on all other independent variables; the tolerance is calculated with an initial linear regression analysis. Tolerance is defined as $T = 1 – R^2$ for these first step regression analysis. Thus from the finding in coefficient table all tolerance values were less than one. See table 4.19 below.

3. Variance Inflation Factor (VIF) – the variance inflation factor of the linear regression is defined as VIF = 1/T. Similarly, with VIF > 10 there is an indication for multicollinearity to be present; with VIF > 100 there is certainly multicollinearity in the sample. Thus from the coefficient table all VIF values are less than 10. Simply the values are not more than 1.861(see Table 4.19). This confirms us there are no violations of little or no Multicollinarity between independent variables.

Simply, when we can see table 4.14 above there is no strong pair-wise correlation between the explanatory variables. As a rule of thumb, inter-correlation among the independent variables above 0.80 signals a possible multi-co linearity problem. In this study the maximum value of the correlation coefficient is 0.458 (between repayment period and borrower experience). Thus, it can be concluded that all the variables in the study have low correlation power as a result there is no multi-co linearity problem.

4.3.2.4 Autocorrelation Test

Fourthly, linear regression analysis requires that there is little or no autocorrelation in the data. Autocorrelation occurs when the residuals are not independent from each other. While a scatter plot allows you to check for autocorrelations, you can test the linear regression model for autocorrelation with the Durbin-Watson test. The value of Durbin Watson assumes to be between 0 and 4; values around 2 indicate no autocorrelation problem. From our test, the value of Durbin Watson is about 1.412. Thus it lies between 0<1.412<4(see table4.15). The value of Durbin Watson is close to 2 indicates there is no violation of Autocorrelation.

Table 4.15 Autocorrelation test

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
				R Square Change	F Change	df1	df2	Sig. F Change	
.838[a]	.703	.660	.273	.703	16.351	12	83	.000	1.412

a. Predictors: (Constant), Business Locate, Capacity, Follow up, Experience, Inflation, Weather, Business Type, Interest Rate, Loan Processing, Political Stab, Loan Size, Loan Repayment

b. Dependent Variable: SLRP

Source: own research result, 2019

4.3.2.5 Homoscedasticity Test

Lastly, homoscedasticity test, which refers to whether residuals are equally distributed, or presence of equality of variance/homogeneity of variance. The following test was done in testing the problem of Hetroschedasticity.

Table 4.16: SPSS output result by using Glejser Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.213	.188		1.131	.261
	LoanSize	.003	.019	.020	.158	.875
	Experience	.025	.020	.172	1.233	.221
	Capacity	.019	.020	.106	.948	.346
	Loan Processing	-.014	.017	-.096	-.823	.413
	Loan Repayment	-.023	.016	-.194	-1.500	.137
	Follow up	-.007	.015	-.051	-.468	.641
	Interest Rate	-.023	.017	-.165	-1.350	.181
	Weather	.017	.017	.114	1.040	.301
	Inflation	.006	.015	.043	.384	.702
	Political Stability	.034	.021	.198	1.616	.110
	Business Type	-.013	.017	-.084	-.776	.440
	Business Location	-.023	.016	-.154	-1.393	.167

Source: own research result, 2019

Using Glejser test in table 4.16 above the following output were obtained. According to Glejser Test of Heteroskedasticity:

1. If value Sig.>0.05 there is no problem of Homoschedasticty

2. If value Sig. <0.05 there is problem of Heteroskedasticity Thus, from the above table 4.16 all dimensions/ factors sig. Value was greater than 5% significant level i.e. p-value>0.05. Therefore form the test, there is no violation of Homoschedasticity.

Thus, from an explanation of the information presented in the entire five tests one can conclude that there are no significant data problems that would lead to say the assumptions of multiple regressions have been seriously violated.

4.3.3 Regression Analysis Result and Discussions

The objective of this study was to identify the determinants of successful loan repayment performance in foreign owned investments in Ethiopia. In order to study the relationship between the dependent and independent variables(Loan size, borrower business experience, borrower repayment capacity, loan interest rate, repayment period, loan processing period, loan follow up, business type, business location, inflation, weather condition, political stability) and specify the best predictors of the dependent variable (successful loan repayment performance) a multiple Regression model was applied. Multiple regressions were used for testing the model and hypotheses. It provides information regarding the significance of the variables that were included in the model while the R^2 explains how much variance in the dependent variable is explained by the model or how much the successful loan repayment performance is explained by the constructed variables. Statements of hypothesis were formulated based on the twelve variables used in this study in order to come up with the results.

Table 4.17 Regression analysis result

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
				R Square Change	F Change	df1	df2	Sig. F Change	
.838[a]	.703	.660	.273	.703	16.351	12	83	.000	1.412

a. Predictors: (Constant), Business Locate, Capacity, Follow up, Experience, Inflation, Weather, Business Type, Interest Rate, Loan Processing, Political Stab, Loan Size, Loan Repayment

b. Dependent Variable: Successful loan repayment

Source: own research result (2019)

Table 4.17 above shows three important elements, thus R, R^2 and the adjusted R^2. From this table, R shows a significant positive relationship of 0.838 which is 83.8%. The R^2 value =0.703 meaning 70.3% of the variance in the model can be predicted using the independent variables or in simple words 70.3% of successful loan repayment performance is explained by the constructed independent variables. However, the remaining 29.7% changes in successful loan repayment performance in CBE and DBE are caused by other factors that are not included in the model. Therefore, the constructed successful loan repayment performance factors are good explanatory variables of the influencing successful loan repayment performance.

Table 4.18 ANOVA Analysis result

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.611	12	1.218	16.351	.000[b]
	Residual	6.180	83	.074		
	Total	20.791	95			

a. Predictors: (Constant), Business Locate, Capacity, Follow up, Experience, Inflation, Weather, Business Type, Interest Rate, Loan Processing, Political Stab, Loan Size, Loan Repayment

b. Dependent Variable: Successful loan repayment

Source: own research result (2019)

From the ANOVA test in table 4.18 it shows the table Sig. value 0.05 is greater than the calculated sig. value of .000. This shows the statistically significant relationships between the twelve independent variables (Loan size, borrower business experience, borrower repayment capacity, loan interest rate, repayment period, loan processing period, loan follow up, business type, business location, inflation, weather condition, and political stability) and successful loan repayment of foreign investors at 5% significance level. This means, the twelve explanatory variables have great impact on users to successful loan repayment performance in for foreign investors in Ethiopia. But it does not mean that all these factors influencing successful loan repayment have equally significant correlation with successful loan repayment performance. Beside the F statistics (16.351) which is used to measure the overall test of significance of the model was presented, and the model is well fitted at 5 percent level of significance.

Table 4.19 Regression coefficient Analysis result

Model		Un-standardized Coefficients		Standardized Coefficients	t	Sig.	Co-llinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	.968	.347		2.791	.007		
	LoanSize	.176	.035	.372	4.976	.000	.640	1.562
	Experience	.196	.037	.430	5.268	.000	.537	1.861
	Capacity	.058	.038	.101	1.550	.125	.842	1.188
	LoanProcessing	.077	.032	.164	2.397	.019	.768	1.302
	LoanRepayment	.063	.029	.166	2.191	.031	.622	1.609
1	Followup	.054	.027	.128	1.999	.049	.871	1.148
	InterestRate	-.066	.031	-.151	-2.096	.039	.695	1.440
	Weather	.015	.031	.032	.500	.619	.874	1.144
	Inflation	-.059	.027	-.140	-2.157	.034	.846	1.183
	Political Stability	.053	.039	.098	1.373	.173	.696	1.436
	BusinessType	.064	.031	.131	2.066	.042	.896	1.116
	Business Location	.065	.030	.139	2.146	.035	.849	1.177

a. Dependent Variable: successful loan repayment performance

Source: own research result (2019)

In the table-above 4.19, coefficients indicated how much the dependent variable varies with an independent variable, when all other independent variables are held constant. The Beta coefficients indicated that how and to what extent the independent variables influence the dependent variable. Accordingly, the result of coefficient value of regression analysis indicated the highest determinant factor which affect successful loan repayment performance was loan experience (at Beta value=0.430), followed by loan size (Beta=0.372), repayment period (Beta=0.166), Loan processing (Beta=0.164), interest rate(Beta=-0.151), inflation(Beta=0.140), business location(Beta=0.139), Business type(Beta=0.131) and follow up(Beta=0.128). Thus, from this finding one can infer that loan experience and loan size has the most significant factors influencing successful loan repayment performance. Based on the above table 4.19 finding we can develop the following regression model:

SLRP=0.968+0.176X1+0.196X2+0.058X3+0.077X4+0.063X5+0.054X6-0.066X7+0.015X8-0.059X9+0.053X10+0.064X11+0.065X12

SLRP=Successful Loan Repayment Performance

Where, X1=LOAN SIZE

X2=Borrower experience

X3=loan Capacity

X4=Loan processing period

X5= loan repayment period

X6=Follow up

X7= interest rate

X8=Weather

X9=Inflation

X10=Political stability

X11=Business type

X12=Business location

Based on the above model result, ten of the explanatory variables have positive influence on successful loan repayment performance while two of them(Inflation and interest rate) have negative influence on successful loan repayment performancefor foreign investors in Ethiopia. The B coefficient of Borrower experience=0.196 .i.e. 100% change in borrower experience leads to 19.6% change in successful loan repayment performance, loan size=0.176 indicating that 100% change in loan size leads to 17.6% increase in successful loan repayment performance, loan repayment period= 0.063 implies that a one unit change in loan repayment period leads to 0.063 unit increase in successful loan repayment performance, loan processing period= 0.077 signifies that a one unit change in loan processing period results to 0.077 unit increase in successful loan repayment performance, business type=0.065 indicates that a one unit change in business type leads to 0.065 units increase in successful loan repayment performance, business location =0.064 indicates that a one unit change in business location leads to 0.064 units increase in successful loan repayment performance, business type=0.053 indicates that a one unit change in political stability leads to 0.053 units increase in successful loan repayment performance, weather condition=0.015 indicates that a one unit change in weather condition leads to 0.015 units increase in successful loan repayment performance, inflation=-0.059 indicates that a one unit change in inflation leads to 0.059 units decrease in successful loan repayment performance, and interest rate=-0.066 indicates that a one unit change in interest rate leads to 0.066 units decrease in successful loan repayment performance,.

These findings provide significant support for the reliability, transaction efficiency and ease of use literature which advocates that the variables have an influence upon successful loan repayment performance of foreign borrowers in Commercial Bank of Ethiopia and Development Bank of Ethiopia.

4.4 Hypothesis Testing

4.4.1 Loan Size

H1: Loan size has statistically significant and positively determine successful loan repayment.

Based on the coefficient of regression table 4.19 the results in table show that loan size has a B coefficient of 0.176 and p-value of .000. Holding other explanatory variables constant loan size was found to have a statistically significant positive association with successful loan repayment performance. Therefore, the researcher was accepted the H1hypothesis.

This finding is consistent with the study carried out by Ojiako and Ogbukwa (2012) on economic analysis of loan repayment capacity of small holder co-operative farmers in Yewa North Local Government area of Ogun state, Nigeria. The result revealed a strong positive and significant relationship between loan size and capacity to repay. By implication, given that beneficiaries did not have the tendency to divert, if substantial amount was approved as loan to farmers, they would use the funds to acquire the basic tools, equipment, and improved technology and other inputs they would require to enhance their operational and marketing efficiency and make positive returns. In other words, larger loan sizes would enhance the beneficiary farmer’s access to basic inputs and improved farm management opportunities, which would lead to higher productivity, reduced per unit cost and increased income. The investment would be able to pay back itself and consequently support the farmer to repay the borrowed fund within the specified period. Therefore, amount of loan financed has positive impact on successful loan repayment performance. This also supported with the finding of Onyeagocha & Chidebelu (2012) on determinant of loan repayment performance in Southeast State of Nigeria, they hypothesized that loan size to have a negative relationship with repayment rate. In other words, the higher the loan size given by the institution, the lower was the repayment rate of the clients. Their regression results strongly disagreed with this hypothesis. It stipulated that the higher the size of the loan to clients, the higher the repayment rate.

4.4.2 Borrower Business experience

H2: Borrower business experience has statistically significant and positive determine successful loan repayment.

The table 4.19 shows that borrower business experience have an un-standardized B coefficient of 0.196 and p-value of 0.000. Holding other explanatory variables constant borrower business experience was found to have a statistically significant positive association with loan repayment performance. Therefore, the hypothesis supported. Therefore, the alternative Hypothesis which says there is significant and positive relationship between business experience and successful loan repayment performance is accepted. Thus, this factor was significant. This finding is supported by Munene, Nguta, and Huka (2013**)** was carried out a study to establish the causes of such repayment defaults in Imenti North District, Kenya using a descriptive survey design individual microfinance loan beneficiaries and microfinance institution officials. The findings of the study revealed that there was a significant relationship between the age and experience of the business, on successful loan repayment. The finding also supported by Yacob (2014) who analyzed the socio-economic factors that affect the institution’s loan repayment performance Eritrean Saving and Micro Credit Program of Dekemhare Sub-Zone using the stratified sampling technique. Results of the regression analysis revealed that credit experience is a positive and significant determinants relationship with the loan repayment probability.

4.4.3 Borrower Loan Capacity

H3: Borrower loan capacity has statistically significant and positive determine successful loan repayment.

The table 4.19 shows that borrower repayment capacity has an un-standardized B coefficient of -0.058 and p-value of 0.125. Holding other explanatory variables constant borrower repayment capacity was found to have a statistically insignificant positive association with loan repayment performance. Therefore, the hypothesis was not supported. Thus, this factor was also not significant.

4.4.4 Interest Rate

H4: Increase in Interest rate has statistically significant and negatively determine successful loan repayment.

The table 4.19 shows that interest rate have an un-standardized B coefficient of -0.066 and p-value of 0.039. Holding other explanatory variables constant interest rate was found to have a statistically significant negative association with loan repayment performance. Therefore, the H4 hypothesis was supported. Therefore, the alternative Hypothesis which says there is significant and negative relationship between increase in interest rate and successful loan repayment performance is accepted. Thus, this factor was significant.

This finding is consistent with the finding of Ugbomeh M. *el al.* (2008) in Nigeria, who examined the determinants of loan repayment performance among women's self-help groups. The study used ordinary least square (OLS) of multiple regression analysis to identify the factors affecting loan repayment. The results indicated that interest rates had negatively and significantly affected the loan repayment performance of women farmers.

4.4.5 Repayment Period

H5: Repayment period has statistically significant and positive determine successful loan repayment.

Based on the result of table 4.19 shows that loan repayment periodhas an un-standardized B coefficient of 0.063 and p-value of 0.031. Holding other explanatory variables constant loan repayment period was found to have a statistically significant positive association with loan repayment performance. Therefore, the H5 hypothesis supported. Therefore, the alternative Hypothesis which says there is significant and positive relationship between loan repayment period and successful loan repayment performance is accepted. Thus, this factor was significant.

This finding is supported by researchers like Akerele, Aihonsu, Ambali and Oshisanya (2014) who investigated factors affecting loan repayment performance among members of Cooperative Thrift and Credit Societies in Yewa North Local Government Area of Ogun State. The study drew a sample of hundred and four smallholder agricultural credit users who are members of Cooperative Thrift and credit society identified through a multi stage random sampling techniques. Relevant information on socio-economic characteristics, sources of loan preferred, payback period, factors affecting loan repayment of co-operators and constraints in obtaining loan were collected using structured questionnaires with personal interview and data collected were analyzed using descriptive statistics and multiple regressions. The results of the regression showed that loan duration positively and significantly influence loan repayment. The researchers concluded that credit agencies should always endeavor to draw a more convenient disbursement and amortization schedule to conform to economic needs. That is, loan must be adapted to the peculiar needs of the co-operators and repayment condition should be flexible enough to allow for variation and uncertainties in cooperative income.

4.4.6 Loan processing Period

H6: Loan processing period has statistically significant and positive determine successful loan repayment.

The result of regression coefficient in table 4.19 shows that loan processing period have an un-standardized B coefficient of 0.077 and p-value of 0.019. Holding other explanatory variables constant loan processing period was found to have a statistically significant positive association with loan repayment performance. Therefore, the H6 hypothesis was supported. Therefore, the alternative Hypothesis which says there is significant and positive relationship between loan processing period and successful loan repayment performance is accepted. Thus, this factor was significant.

This hypothesis result is consistent with Shaik and Tolosa (2014) who studied performance of loan repayment determinants in Ethiopian Micro Finance- an analysis to major socio- economic and loan related Factors that determine loan repayment performance of borrowers in Sidama Micro Finance Institution. The study employed explanatory research design with quantitative and qualitative methods. The result of binary logistic model show that time laps between loan application and disbursement has positives and significant relationship with successful loan repayment.

4.4.7 Loan Follow up

H7: Loan follow up has statistically significant and positive determine successful loan repayment.

When we see the result of regression coefficient analysis in table 4.19 shows that loan follow up have an un-standardized B coefficient of 0.054 and p-value of 0.049. Holding other explanatory variables constant loan follow up was found to have a statistically significant positive association with loan repayment performance. Therefore, the H7 hypothesis was supported. Therefore, the alternative Hypothesis which says there is significant and positive relationship between loans follow up and successful loan repayment performance is accepted. Thus, this factor was significant.

This finding is supported by Wongnaa and Awuyno (2013) who have discussed factors that are affecting loan repayment performances among Yam farmers in Sene District, Ghana and the researcher revealed that the close supervision to borrower's businesses are positively influence the repayment performance of the borrowers.

4.4.8 Business type

H8: Business type has statistically significant and positive determine successful loan repayment.

The table 4.19 shows that business type had an un-standardized B coefficient of 0.064 and p-value of 0.042. Holding other explanatory variables constant business type was found to have a statistically significant positive association with loan repayment performance. Therefore, the H8 hypothesis was supported. Therefore, the alternative Hypothesis which says there is significant and positive relationship between business type and successful loan repayment performance is accepted. Thus, this factor was significant.

This finding also supported by study by Osuji et al. (2012) who investigated the effect of profitability of respondents' enterprises on loan repayment. The coefficient of profitability index was positive and significant at 5% level and was in consonance with hypothesis which stated that profitability index (ratio of income to costs) had direct and strong relationship with repayment. This was because difficulties in repayment arose whenever a business is unprofitable. In the event of not making profit, enterprises including NGOs (which are expected to break-even), become unsustainable and there is positive relationship between business type and loan repayment.

4.4.9 Business Location

H9: business location has statistically significant and positive determine successful loan repayment.

In the table 4.19above shows that business location has an un-standardized B coefficient of 0.065 and p-value of 0.035. Holding other explanatory variables constant business location was found to have a statistically significant positive association with loan repayment performance. Therefore, the H9 hypothesis was supported. Therefore, the alternative Hypothesis which says there is significant and positive relationship between business location and successful loan repayment performance is accepted. Thus, this factor was significant.

4.4.10 Inflation rate

H10: Inflation has statistically significant and negatively determine successful loan repayment.

Based on the coefficient of regression in table 4.19 above the results shows that inflation has a B coefficient of -0.059 and p-value of .034. Holding other explanatory variables constant inflation was found to have a statistically significant negative association with successful loan repayment performance. Therefore, the researcher was accepted the H10 hypothesis. This determining factor was statistically significant. This is inconsistent with Skarica (2013) who conducted a study on the determinants of NPLs in Central and Eastern European countries, by employing the Fixed Effect Model and seven Central and Eastern European countries for 2007-2012 periods.

The results show that GDP growth rate and unemployment rate have statistically significant negative association with NPLs with justification of rising recession and falling during expansions and growth has impact on the levels of NPLs. This implies that economic developments have a strong impact on the financial stability. The result also discovered that inflation has positive impact on NPLs with a justification that inflation might affect borrowers' debt servicing capacities. But, this research is consistent with Nkusu (2011) who explained that this relationship between inflation and loan repayment performance can be positive or negative. According to the author inflation affects loan payment capacity of borrowers positively or negatively, higher inflation can enhance the loan payment capacity of borrower by reducing the real value of outstanding debt. Moreover, increased inflation can also weaken the loan payment capacity of the borrowers by reducing the real income when salaries/wages are sticky.

4.4.11 Weather Condition

H11:Good weather condition has statistically significant and positively determine successful loan repayment.

Based on the coefficient of regression table 4.19 the results in table show that weather condition has a B coefficient of 0.015 and p-value of 0.619. Holding other explanatory variables constant good weather condition was found to have statistically insignificant positive association with loan repayment performance. Thus, the alternative H11hypothesis was not supported. Therefore, this factor was not statistically significant.

4.4.12 Political stability

H12: Political stability has statistically significant and positive determine successful loan repayment.

Based on the regression coefficient analysis result in table 4.19 above shows that political stability has an un-standardized B coefficient of 0.053 and p-value of 0.173. Holding other explanatory variables constant political stability was found to have statistically insignificant positive association with loan repayment performance. Thus, the H12 hypothesis was not supported. Therefore, this factor was statistically insignificant.

4.5 Summary Result of Hypothesis testing

Table 4.20 Hypothesis testing summary

No.	Hypothesis	Result
1	H1: Loan size has statistically significant and positive determine successful loan repayment.	Accepted
2	H2: Borrower business experience has statistically significant and positive determine successful loan repayment.	Accepted
3	H3: Good borrower repayment capacity has statistically significant and positive determine successful loan repayment.	Not Accepted
4	H4: Increase in Interest rate has statistically significant and negatively determine successful loan repayment.	Accepted
5	H5: Repayment period has statistically significant and positive determine successful loan repayment.	Accepted
6	H6: Loan processing period has statistically significant and positive determine successful loan repayment.	Accepted
7	H7: Loan follow up has statistically significant and positive determine successful loan repayment.	Accepted
8	H8: Business type has statistically significant and positive determine successful loan repayment.	Accepted
9	H9: business location has statistically significant and positive determine successful loan repayment.	Accepted
10	H10: Inflation has statistically significant and negatively determine successful loan repayment.	Accepted
11	H11: weather condition has statistically significant and positive determine successful loan repayment.	Not Supported
12	H12: Political stability has statistically significant and positive determine successful loan repayment.	Not Supported

Source: own research result (2019)

Based on the hypothesis testing result about 10 hypotheses(H1, H2, H4, H5, H6, H7, H8, H9, and H10) were accepted and supported by the finding. But, H3, H11 and H12 were not supported. This indicates that Loan size has statistically significant and positive determine successful loan repayment, Borrower business experience has statistically significant and positive determine successful loan repayment, Increase in Interest rate has statistically significant and negatively determine successful loan repayment, Repayment period has statistically significant and positive determine successful loan repayment, Loan processing period has statistically significant and positive determine successful loan repayment, Loan follow up has statistically significant and positive determine successful loan repayment, Business type has statistically significant and positive determine successful loan repayment, business location has statistically significant and positive determine successful loan repayment, and Inflation has statistically significant and negatively determine successful loan repayment.

4.6 Thematic Analysis of interview Questions

The following section summarized and presented the result of interview sessions with six loan officers of CBE and DBE. Since the responses of the participants of the interview session was more or less alike, the researcher has preferred to summarize and present the result of the session in one set.

A) What are the crucial challenges does your bank face in successful loan collection from foreign customers?

Responding to this question the interviewees have come up with various factors that affect loan them to collect loan repayment. Among the factors raised are; project/business type of clients, the country's economic condition, the industry in which the clients took loan, business and credit experience of clients, supervision, loan disbursement lag, and inflation of price of raw materials were the most determining factors borrowers to repay their loan regularly and successfully.

B) In your industry experience what is the impact of lag in screening process and loan disbursement to your customer?

Answering to this the respondents said; it is understandable that the loan disbursement lag affects the loan repayment activities of the foreign borrowers because the investors applied for the loan to perform some business on specific time so that if the loan is not provided or disbursed as needed the borrower may not use it for the intended purpose and finally it affects the loan repayment. For instance, the investors may need a loan for agricultural so that if they were not get the loan on time they would not use this money for the intended purpose rather than shift it for consummation or other purpose and finally would fail to pay.

C) Does your bank's conduct frequent follow up for its customers? Do you really think supervision by your bank has a relationship with borrower loan repayment? If yes, how?

Regarding to this question the respondents said yes rarely, unless the Banks supervise the borrower's activity before the loan and after the loan issued, it is difficult to collect the repayment. So before the loan issued it is mandatory to visit and supervise the borrowers business viability and after the loan issued would be regularly followed up to ascertain its proper utilization for the intended purpose.

D) Do you really think poor analysis of the borrowers' project feasibility has a relationship with loan repayment? If yes, how?

Responding to this question the respondents said it has not a doubt that poor analysis of the borrowers' project feasibility contributes its effect to the loan repayment. Because the borrowers invested the loan on this project, so that if this project is not profitable the borrowers will fail his business and the loan repayment of the bank.

E) Do you really think credit experience of borrowers' has a relationship with loan repayment? If yes, how?

Answering to this they said credit and business experience is one of the factors which contribute the loan of the banks not paid as per the agreement interred during the loan issued. Because the borrowers who have not enough work experience to the business and credit failed their business and not paid their loan as per the greed. If borrowers lack credit and business experience how to manage their business they failed the business and the loan payment.

F) What do you think the bank should do to solve such problems?

Since, effective and regular supervising and monitoring is the pillar point for loan repayment as per the schedule. Banks use frequent follow up, and adjust flexible repayment schedule.

CHPTER FIVE

5. SUMMARY, CONCLUSION AND RECOMMENDATION

5.1. Summary

The objective the study was to identify the determinants of successful loan repayment performance in foreign owned investments in Ethiopia. Accordingly, this part of the research summarizes the major findings of the study from the various factors influencing successful repayment of foreign investors in Ethiopia.

The study found out that from the demographic profile most of the respondents were male, and most of the respondents, most of the respondents had having 6-10 years' work experience in the companies. The study includes almost all departments' positions and personals in the borrowers. Most of the respondents were found in Commercial Bank of Ethiopia.

From the descriptive statistics result

Five point likert scales were used to measure and define the descriptive statistics result.

Based on the finding Loan related factors such as Loan Interest Rate, Loan size, Loan Processing and loan Repayment Period were identified. Thus:

- Based on the percentage analysis result most of the respondents about 46.9% were strongly agreed that Sufficient amount of loan applied for the intended purpose has positive impact to successfully repay it. Majority of the respondents were strongly agreed that large amount of money creates huge capacity to performance with full capacity and effective manner and respondents were strongly agreed that small amount of loan approved as compared to loan applied affect negatively to successfully repay it. Most of the respondents were strongly agreed that high interest rate on amount of loan borrowed affect loan their repayment, irregular Changes in interest rate on loan affects borrowers' loan repayment, and interest rate of banks increases the burden on loan repayment.
- Concerning repayment schedule this study indicates that respondents were strongly agreed that rigid repayment schedule discourage successful loan repayment, but flexible repayment schedules and Long repayment period enable borrowers to repay their loan regularly.

- Majority of the respondents were strongly agreed that amount of time (Delay) taken to be approve the loan, speedy procedure (short process) of loan approvals in the bank affect loan repayment and the presence of bureaucracy of loan approvals results to low and inefficient repayment performance.

Borrower related factors such as Credit Experience, repayment capacity and getting follow up by loan officers were surveyed. Thus, the result indicates that:

- Concerning borrower credit experience most of the respondents about 46.9% were strongly agreed that the number of years the customer has banked/financed with similar Banks/projects affect their loan repayment.
- The borrowers were strongly agreed that Borrowers having long credit experience have good knowledge of managing and handling the financial aspects of their business, and borrowers with a higher management experience have a lesser credit risk.
- Borrowers were neutral and indifferent in their level of agreement on statement that the capital the borrower puts toward a potential investment is a guarantee of less risk, down payments in investments indicate the borrower's level of seriousness makes loaning less risky" and lending money after appraising the applicant's capital and other source of repayment enhances recoverability of loans.
- This study found that that Lack of follow up, providing sufficient technical support by loan officer for borrowers, through its follow up affect effective loan repayment, insufficient financial assistance by banks results to high loan default and absence of regular supervision on loan utilization affect for loan repayments.

The descriptive survey result on Project related factors such as business type invested and business location is as follows:

- The respondents were strongly agreed that a better proceeds/profits received from the business must exceeder than borrower actual costs, the loan invested on productive, profitable, and differentiated business result to successful loan repayment and the amount of annual income from activities financed by the loan has effect on loan repayment.

- The survey indicates that suitable production place near to available raw material, suitable production or market place accessible for consumers and sells affect loan repayment and the availability of sufficient market for the business invested affect loan repayment.

This study also identified that there are exogenous factors affecting borrowers to successfully repay their loan.

- Concerning the impact of inflation borrowers were strongly agreed that the impact of inflation on the cost of loan affect borrowers to repay their loan, during inflation amount of loan default is high and bank's inability to adjust loan repayment duration during inflation affect borrower loan repayment.
- The study further revealed that bad weather, the presence of natural disasters on financed project and the occurrence of drought affect business income and borrower unable to repay his/her debt and affect successful loan repayment.
- Most of the borrowers were strongly agreed that Political instability impose additional costs and risks on the financial institutions, internal conflict in the country affect borrower business to supply its product to market and the presence of displacement of peoples in the country affects the sales potential of borrowers and results to loan default.

From the inferential statistics result: The correlation coefficient result indicates that most of the independent constructed variables were correlated with Successful loan repayment performance. Among the variables the highest and strong correlation coefficient was found between Borrower repayment experience and successful loan repayment performance, between Loan size and Successful loan repayment performance, and followed by variables between loan repayment period and Successful loan repayment performance.

5.2 Conclusion

The finding revealed that loan size has statistically significant effect on loan repayment. Thus, we can conclude that sufficient amount and large amount of money lending applied for the intended purpose to foreign investors in Ethiopia enables them to perform their business with full capacity and effective manner. Therefore, enough amount of loan size approving and financing to foreign direct investors has positive influence for successful loan repayment foreign borrowers in Ethiopia.

Foreign borrowers having long period of financial experience with the lending bank, long credit experience, and having higher management experience can reduce credit risk and are successful to repay their loan to the bank because they can handle and manage their business financial aspect. In this study the borrower loan experience found to have statistically significant and positively determine the successful repayment of loan. Thus, foreign borrows having long period of credit experience and good management skills their loan repayment would be successful.

From the finding increasing in interest rate has statistically significant and negative relationship with successful loan repayment of borrows. Thus, one can infer that increase and irregular change in interest rate discourage foreign investors for successful repayment of the loan.

Flexible repayment schedule and long term repayment schedules enables and encourages foreign investors to repay their amount of loan to repay successfully and regularly. Thus, flexible and long term repayment schedule of loan has positive and statistically significant association with successful loan repayment. The speedy procedure (short process) of loan approvals in the bank improves borrower loan repayment, and presence of bureaucracy of loan approvals in different banks in Ethiopia results to low and inefficient repayment of foreign investors.

The inferential statistics result follows up found statistically significant and positive relation with loan repayment. Therefore, the presence of follow up, providing sufficient technical support by loan officer for borrowers through their follow up affect effective loan repayment, and presence of regular supervision on loan utilization encourages for successful loan repayment.

The type of business banks financed and borrower invested may generate sufficient proceeds compared to the actual business cost. Therefore, there might not be loan default toward the financed and invested business results to successful loan repayment of foreign investors. Thus we can conclude that the type of business invested have positive and significant relationship with successful loan repayment. The business near to suitable production place, available raw materials and accessible market place for consumers enhances the product selling to its customers. Then, borrower can repay its loan to the bank regularly and successfully.

During inflation amount of loan default is high and if banks couldn't adjust repayment schedule during inflation the borrowers would unable to repay their loan efficiently and effectively and there might be loan default. Thus, if there is inflation loan default may increase and borrower couldn't pay their loan successfully. Therefore, inflation has statistically significant and negative association with loan repayment.

5.3 Recommendation

Based on the finding the researcher recommends that:

- Because repayment schedule is significant effect on foreign loan borrowers Financing Banks should always endeavor to draw a more convenient disbursement and amortization schedule to conform to economic needs. That is, loan must be adapted to the peculiar needs of the co-operators and repayment condition should be flexible enough to allow for variation and uncertainties in cooperative income.
- Delay in loan processing time is the other variable. Thus, Banks should improve its loan processing and project management system by putting in place an effective monitoring and evaluations system.
- The rate of interest charged by different financial providers ought to be evaluated and harmonized especially for foreign investors. Because high and flexible interest rate charged discouraged borrowers to repay successfully. Over all the government through national bank must prepares a harmonized interest rate specifically to this issue.
- Since, effective and regular supervising and monitoring is the pillar point for loan repayment as per the schedule so that the researcher recommend that the banks' clients or customers must regularly supervised and monitoring before and after the loan disbursed by the concerned banks staffs to improve the loan repayment.
- The Bank should install effective monitoring and evaluation mechanisms to measure the output of each and every follow-up/supervision visit after having conducted appropriate project follow-up.
- Repayment period is found to be a significant determinant of loan repayment performance of borrowers. Suitability of loan repayment period for borrowers was found to significantly increase the probability of repaying loan. Therefore, the institution has to give enough time to clients and be flexible so that they would be able to work with the

loans they have borrowed and arrange the time to collect loan that would be suitable for them to sell their business output.

- The credit experience of borrowers and successful loan repayment performance of borrowers has positive correlation. Thus, one can suggest that the Bank should, at all times, require project owners to employ well-experienced and qualified managers in any project throughout its life.
- The Lending institution in Ethiopia (Banks) should focus on the repayment challenges which are stated by the borrowers and take corrective actions. Banks in Ethiopia it is recommended to conduct market study before disbursing the loan and inviting foreigners to invest in different business.
- Sufficient and larger amount of loan would enhance the investors' access to basic inputs and improved business management opportunities, which would lead to higher productivity, reduced per unit cost and increased income. Thus, lending institution should disburse sufficient amount of money equivalent to loan applied by the investors.

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Questionnaires

Section I: Socio-economic Profile of the respondents

1. Experience of borrowers in years
   5) <2 years
   6) 3-5 years
   7) 6-10 years
   8) >11 years
2. Gender
   3) Male
   4) Female
3. Position in the company
   6) Manager
   7) Finance Department
   8) Marketing Department
   9) Logistics department
   10) HR department
4. From which bank did you borrow the loan?
   3) DBE
   4) CBE
5. Time Gap between applying the loan and sanctioning of the Loan.
   6) <2 Month
   7) 3-5 Month
   8) 6-9 Month
   9) 10-12 month
   10) >1 year

Section II: loan Repayment Factors

No.	Questions	Responses				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Loan Size						
1.	Sufficient amount of loan borrower applied for the intended purpose has positive impact to successfully repay it.					
2.	Large amount of money creates huge capacity to performance with full capacity and effective					

	manner.					
3.	Small amount of loan approved as compared to loan applied affect negatively to repay it.					
	Borrower Experience					
4.	The number of years the customer has banked/financed with similar Banks/projects affect repayment.					
5.	Borrowers having long credit experience have good knowledge of managing and handling the financial aspects of their business					
6.	Borrowers with a higher management experience have a lesser credit risk					
	Borrower Capacity					
7.	The capital the borrower puts toward a potential investment is a guarantee of less risk					
8.	Down payments in investments indicate the borrower's level of seriousness makes loaning lessrisky.					
9.	Lending money after appraising the applicant's capital and other source of repayment enhances recoverability of loans.					
	Loan Processing period					
10.	Amount of time (Delay) taken to be approve affect loan repayment.					
11.	The Speedy procedure (short process) of loan approvals in the bank improves Borrower loan repayment.					
12.	The presence of bureaucracy of loan approvals results to low and inefficient repayment performance.					

	Loan Repayment period					
13.	Rigid repayment schedule discourage successful loan repayment.					
14.	Flexible repayment schedules improve borrowers' loan repayment.					
15.	Long repayment period enable borrowers to repay their loan regularly.					
	Follow up					
16.	Lack of follow up, providing sufficient technical support by loan officer for borrowers, through its follow up affect effective loan repayment.					
17.	Insufficient financial assistance by banks results to high loan default.					
18.	The absence of regular supervision on loan utilization affect for loan repayments.					
	Interest rate					
19.	High interest on amount of loan borrowed affect loan repayment.					
20.	Irregular Changes in interest rate on loan affects loan repayment					
21.	Interest rate of banks increases the burden on loan repayment.					
	Weather condition					
22.	Bad weather conditions affect successful loan repayment.					
23.	The presence of natural disasters on financed project affects successful loan repayment.					
24.	The occurrence of drought affect business income and borrower unable to repay his/her debt					

	Inflation					
25.	The impact of inflation on the cost of loan affect borrowers to repay their loan					
26.	During inflation amount of loan default is high					
27.	Bank's inability to adjust loan repayment duration during inflation affect borrower loan repayment					
	Political Instability					
28.	Political instability impose additional costs and risks on the financial institutions and borrowers would not able to repay their debt					
29.	internal conflict in the country affect borrower business to supply its product to market and result to loan default					
30.	The presence of displacement of peoples in the country affects the sales potential of borrowers and results to loan default.					
	Business Type					
31.	A more better proceeds/profits received from the business must exceeder than borrower actual costs					
32.	The loan invested on productive, profitable, and differentiated business result to successful loan repayment.					
33.	The amount of annual income from activities financed by the loan has effect on loan repayment.					
	Business Location					
34.	Suitable production place near to available raw material affect loan repayment.					

35.	Suitable production or market place accessible for consumers and sell affect loan repayment.					
36.	Availability of sufficient market for the business invested affect loan repayment.					

37. The following questions are regarding your overall attitude toward on the bank related, borrower related, project related, and loan related factors affecting successful loan repayment. Please read and tick the appropriate choices from 1= strongly disagree to 5= strongly agree according to your overall concerns and needs when repaying your loan.

No.	Items	Responses				
		Strongly disagree	disagree	neutral	Agree	Strongly agree
1	Sufficient and large amount of loan borrower applied for the intended purpose has positive impact to successfully repay it.					
2	Business, and credit Experience of the borrower affect successful loan repayment.					
3	The capacity of borrower invested on project affect loan repayment.					
4	The loan processing speedy procedure influence loan repayment					
5	long and flexible repayment period highly influence loan repayment					
6	The absence of supervision and insufficient financial assistant influence loan repayment.					
7	High and irregular change in interest rate influence successful loan repayment.					

8	Unfavorable weather condition in the project area affects loan repayment.					
9	The Change and occurrence of inflation affect successful repayment of borrowers					
10	The presences of Political instability impose additional costs and risks on the borrower and affect successful repayment.					
11	The type of business profitability invested has positive influence on successful loan repayment.					
12	The loan invested on productive, profitable, and differentiated business result to successful loan repayment					

Part Three: Interview Questions

This interview questions are prepared to collect relevant data for my MBA research under a title ‘successful loan repayment and its determinants in foreign owned investments in Ethiopia: comparative analysis of the cases of development bank of Ethiopia and commercial bank of Ethiopia.The confidentiality of the information you provide will be kept.Thank you in advance for your willingness and cooperation.

A) What are the crucial challenges does your bank face in successful loan collection from foreign customers?
B) In your industry experience what is the impact of lag in screening process and loan disbursement to your customer?
C) Does your bank’s conduct frequent follow up for its customers? Do you really think supervision by your bank has a relationship with borrower loan repayment? If yes, how?
D) Do you really think poor analysis of the borrowers’ project feasibility has a relationship
E) Do you really think credit experience of borrowers’ has a relationship with loanrepayment? If yes, how?
F) What do you think the bank should do to solve such problems?

Thank You