



ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

FACTORS THAT AFFECT LOAN REPAYMENT PERFORMANCE OF ETHIOPIAN
COMMERCIAL BANKS: EVIDENCE FROM ADDIS INTERNATIONAL BANK S.C IN

ADDIS ABABA

BY

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JUNE 22, 2024

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Statement of Declaration

This is to certify that the thesis entitled "Factors that affect loan repayment performance of Ethiopian commercial banks evidence from Addis International Bank in Addis Ababa", submitted in partial fulfillment of the requirements for the award of a master's degree in Accounting and Finance Department of Accounting and finance, is a record of my original work carried out by me under the guidance and supervision of Dr. Mehari Mekonnen and has never been submitted to this or any other institution to get any other degree or certificates, and that all sources of materials used for the study is be duly acknowledged.

Wube Tsige

Name

June 22, 2024

Date

Addis Ababa

Place



Signature

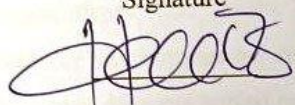
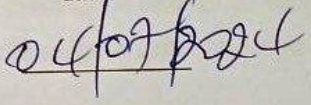
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Confirmation

This is to certify that the thesis entitled “Factors that affect loan repayment performance of Ethiopian commercial banks evidence from Addis International Bank in Addis Ababa”, submitted in partial fulfillment of the requirements for the award of a master’s degree in Accounting and Finance counting Addis Ababa University, and is a record of valuable research work carried out by Wube Tsige under our guidance and supervision.

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Approval sheet

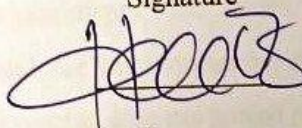
We, the undersigned, members of the board of Examiners of the final open defense by Wube Tsige have read and evaluated his thesis entitled Factors that affect loan repayment performance of Ethiopian commercial banks evidence from Addis International Bank S.C in Addis Ababa”, this is therefore, to certify that the thesis has been accepted in the partial fulfillment of the requirements for the award of a master’s degree in Accounting and Finance

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Acknowledgment

This thesis wouldn't have been completed without the help of Almighty God directing me with his true spirit all the time with success. First and foremost my appreciation and thanks go to my advisor Dr. Mehari Mekonnen for his valuable and constructive comment, suggestions, technical support and overall assistance from the starting to the end for the accomplishment of my thesis. Next, I am deeply grateful to my parents especially my wife M/s Kalkidan Girma for her encouragement and remarkable support in my entire life. Besides, I would like to thank my friend, Natnael Abebe who gave me invaluable encouragement and support at various stages of the Thesis. My appreciations also go to all staff members of Addis International bank for their unreserved support throughout data collection and finally I will thank my study participant to give me honest response.

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Acronyms

S.C	Share Company
STATA	Statistical Software for Data Science
ADIB	Addis International Bank S.C
Aba	Amhara Bank S.C

Abstract

The main purpose of the study was to investigate factors that affect loan repayment performance of Addis international Bank S.C in Addis Ababa. To this end factors that affect loan repayment performance of banks on both the borrower and bank side is identified. To arrive at an appropriate conclusion about the issue under study the researcher used descriptive and explanatory research design with quantitative and qualitative research approach. The study also used both primary and secondary data. Primary and secondary data was collected using questionnaires and through verifying documents respectively. From the total population of the study targeted, sample size was determined considering the bank employees and borrowers as strata (using stratified sampling technique). To determine the sample size, the researcher used the Yamane's formula The total population of the study was 597 which include 500 borrowers and 97 employees and the total sample size is 240. In this study the data obtained from borrowers and the bank was analyzed using Binary regression model was used to measure the variables those are factors that affect loan repayment performance of Addis bank in Addis Ababa. Data were analyzed using statistical Software for Data science (STATA). A total of Twelve explanatory variables representing three dimensional namely institutional factors, loan factors and borrower factors considered to analyze loan repayment performance. Based on the findings of this study, the researcher concludes that Educational level, repayment period, Loan supervision, interest rate, loan size, saving culture, loan processing time and collateral have found to be significant effect on loan repayment performance of housing finance. On the other hand, loan follow-up, marital status, income from other sources and loan diversion have found to be insignificant effect on loan repayment performance. Finally, possible recommendations were suggested that, the bank might consider the significant variables such as Educational level, repayment period, Loan supervision, interest rate, loan size, saving culture, loan processing time and collateral to minimize loan default rate.

Key words/phrases: repayment performance, borrowers, loan factors, linear regression model, variables

CHAPTER ONE

1. Introduction

The purpose of the first chapter is to provide the general introduction to the research topic. The chapter begins with background of the study then statement of the problems, research questions, research hypothesis, objective and significance of the study and followed by scope, limitation and organization of the study.

1.1. Background of the study

Sara (2004) it has been argued that banks play an important role in the process of economic growth and development. Traditionally, banks transfer money from surplus groups (savers) to deficit groups (borrowers). In this process, savers can earn an interest/income for their deposit and borrowers get money to start/expand their business or buy anything they want. The banking sector's role as a source of finance for productive investment and an accelerator of economic growth has been stressed by different economists. For instance, Pagano (1993) suggested three ways in which the banking sector might affect economic growth. First, it can increase the productivity of investments. Second, an efficient financial sector reduces transaction cost and thus increase the share of saving channeled into productive investments. Third, financial sector development can promote savings. Moreover, Schumpeter (1934) argues that in a well-functioning financial system entrepreneurs will have a better opportunity to fund their new ideas and encourage technological innovation. To reap these benefits from the banking system the structure, competitiveness and efficiency of the system is vital.

Banking industry is one critical component of the financial system in developing countries capable of facilitating capital accumulation and economic processes and plays a crucial role in the national economic development. This is possible through efficient financial intermediation. The banks mobilize funds from the surplus spending unit's and balance the flow of funds from surplus economic unit of the economy to deficit economic. Banks mostly transform liquid assets like deposits into illiquid assets like loans. Banking system as one part of financial institution plays an important role in economic growth and development of a country. Efficient banking system reflects a sound intermediation process and enhances the banks' sustainability. Efficient functioning of commercial banks' is a best indicator of effective monetary and polices (Aikaeli,

2008). Modern banking system was introduced in Ethiopia after the agreement contracted in 1905 between Emperor 'MinilikII' of Ethiopia and Mrs. Gillivray, representative of the British owned National Bank of Egypt, the name of the bank was Abyssinia bank, which represented central bank as well as commercial bank (Alemayehu,2006). The first privately Owned commercial bank, "Addis Ababa Bank Share Company, was established by Ethiopians initiative and started operation in 1964 with 2 million capital in association with National and Grind lay Bank, London, which had 40 percent of the total share." In 1964 the state bank of Ethiopia also divided into two parts, national bank of Ethiopia and commercial bank of Ethiopia. In 1974, all commercial bank became nationalized by central bank and named under Addis Ababa bank, and its present name changed to Commercial bank of Ethiopia in 1980 under new directives (Alemayehu, 2006).

Commercial banks are the most important savings, mobilization and financial resource allocation institutions. Consequently, these roles make them an important phenomenon in economic growth and development. In performing this role, it must be realized that banks have the potential, scope and prospects for mobilizing financial resources and allocating them to productive investments. Therefore, no matter the sources of the generation of income or the economic policies of the country, commercial banks would be interested in giving out loans and advances to their numerous customers bearing in mind, the three principles guiding their operations which are, profitability, liquidity and solvency. However, commercial banks decisions to lend out loans are influenced by a lot of factors such as volume of deposits, interest rate, and cash reserve requirement and liquidity ratio to mention a few (Olokoyo, 2011). Loans are the dominant and most important asset of commercial banks which generate the largest share of operating income and represent the banks greater risk exposure. In banking industry, the primary assets of financial institution are their gross loan portfolio which means total loan outstanding balance, which is highly dependent on loan repayment. Loan repayment is important to the financial success of any financial institutions. Drops in loan portfolio quality or loan repayment could cause decline in customer satisfaction, financial sustainability and loss of vision (Natnael, 2023).

The main factors from the borrower side include socio-economic characteristics such as, gender, educational level, marital status and other source of income and peer pressure in group-based schemes. Outlines the main factors that determine loan repayment performance as loan size,

enterprise size, income, age, number of years of business experience, distance between home and source of loan, education, household size, adoption Outlined as the main factors that determine loan repayment performance Arene ,(1992) This raises a question on how can commercial banks in Ethiopia increase the recovery performance of its borrowers of bank loans. This in turn entails a question on what are the factors that affect loan repayment performance of borrowers of borrowers and lenders. It is thus important to investigate and provide empirical evidence on factors that affect loan repayment performance of loans of commercial banks in Ethiopia Addis Ababa city. Abebaw ,(2017).

Today's Addis international bank was formed from Group of Saving and Credit Cooperatives in the City of Addis, organized under Addis Saving & Credit Cooperatives (AASCCU) initiated the process of establishing a cooperative bank known by the name Addis Cooperative Bank S.C. The number of founders that took the responsibility of organizing the bank was 21 and out of this 67% came from AASCCU. Now Addis international Bank is one of the commercial banks in Ethiopia that established in 2011 G.C. The was founded by a group of prominent Ethiopian business people with the aim of providing a wide range of financial services to individuals, businesses and organizations in the country since its establishment, Addis international bank has grown steadily and expanded its branch network to serve customers across Ethiopia. The bank offers various banking products and services, including loans, trade finance, foreign exchange service and electronic banking solutions. The bank mainly engaged in financial intermediation and its income is largely derived from lending operations

1.2. Statement of the problem

Commercial banks are the most important savings, mobilization and financial resource allocation institutions. Consequently, these roles make them an important phenomenon in economic growth and development. Commercial bank loans for businesses and non-financial institution have always played an important and crucial role within an economy. These loans give a chance to individuals and businesses to expand and develop their business, which in turn will increase output and employment. Commercial bank loans are among one of the most important factors that contribute to development. However, provision of loan alone does not support the economic development of the country unless it is accompanied with the efficient utilization of the fund in

order to repay the loan in accordance with the agreement. For sustainable and healthy growth of such lending sectors, loan repayment is critical. Each Financial institution tries to maximize its repayment performance and ensuring its sustainability. Hence, it's very important to investigate major determinant that affect loan repayment performance of the projects. Getachew,(2017)

Studies on loan repayment were not a new research area. Various researches made on determinant of loan repayment researchers who studies both in Ethiopia and other countries, For instance, Mansoori (2009) on the title of " factors affecting loan Repayment Performance of Farmers in Khorasan-Razavi Province of Iran. The objective of the study was weather loan factors loan factors are one factor for loan repayment. Pishbahar.(2015) conducting their study related to repayment performance at European countries.

Mengistu.(1997) studies on loan repayment performance of the borrowers of micro enterprise in Awasa and Bahirdar towns by using binomial model to analyze the repayment performance of the borrowers of micro enterprise in Awasa and Bahirdar towns and he reported that the number of workers employed has positive relation with full loan repayment for both towns; while loan size and loan diversion were negatively related. Age and weekly repayment period had positive relation with repaying loan in full in Awasa. In case of Bahirdar loan expectation and number of workers employed have positive relationship with full repayment, while loan diversion and availability of other sources of credit have a negative impact. Fikirte (2011) investigated research on determinants of loan repayment in case of Addis credit and saving institution using both primary and secondary data collected from selected respondent and record of files. Logit model employed for analyses and the result revealed that age, business types, sex and business experience are significant variables. Abreham (2002) Studied on the loan repayment and its determinants in small scale enterprise financing around Zeway area and He found out that other sources of income, education, and work experience related economic activities before the loan are enhancing loan repayment. While extended loan repayment period influences the repayment performance negatively. Jemal (2003) analyzed the microfinance repayment performance of Oromia credit and saving institution in Kuyu, Ethiopia. According to his finding; sex, loan size and number of dependents are negatively related to loan repayment. On the other hand, age was found to be positive. Income from activities financed by loan, repayment period suitability and loan supervision are positively and significantly related to loan repayment performance.

Muluken (2014) studies on factors affecting loan repayment performance of floriculture growers: the case of development Bank of Ethiopia. Firafis (2015) investigated research on determinants of loan repayment performance in case of Harari micro finance institution in Ambo University. He takes the borrowers character, lending characters and business character as the main factors affecting loan repayment performance. Ayele (2016) studied in DBE with title determinant of successful loan repayment performance in project financing in case of head office using secondary data. He takes the borrowers character, lending characters and business character as the main factors affecting loan repayment performance and employed probit model for analyses

All of this and other research are conducted at microfinance and small-scale enterprise at household level except those studied on DBE. These sectors are less risky compared to banks since the loan is small in amount and given through pledging collateral. While commercial banks in nature has financed short medium and long term loans and have higher risk than short term finance. Various researches have been conducted on loan repayment performance at different place and time period but the findings by different various researchers show that there is the inconsistency of results regarding the determinant factors. For instance loan size affects repayment performance negatively in the research conducted Jemal (2003) while it affects positively in the study by Adugna (2019). As per researcher knowledge, no study is conducted by taking loan, borrower and institutions characteristics as a loan repayment performance factor in the same time. Thus, by taking in-to account these and some other methodological gaps and keeping the results or findings of the former studies, the researcher attempts to identify the problem of loan repayment performance and to investigate the factors that affect loan repayment performance of commercial banks in Addis Ababa with a particular emphasis of Addis international bank.

1.3 Objectives of the study

1.3.1 General objective

The main objective of the study is investigating factors that affect loan repayment performance of Addis international bank in Addis Ababa.

1.3.2 Specific objectives

Having the aforementioned problem and general objective in mind, the researcher addressed the following specific research objectives:

1. To identify the loan characteristics that affect loan repayment performance
2. To examine borrowers' characteristics that affect loan repayment performance
3. To examine the institutional characteristics that affect loan repayment

1.4 Research hypotheses

The empirical studies made around the world and inside our country demonstrate various outcomes on factors that affect loan repayment performance. From the review of Empirical literature, the researcher perceived as there is no consistency in the results.

In this section the researcher developed testable hypotheses to examine the factors that affect loan repayment performance commercial banks in Ethiopia in case of Addis international bank S.C in Addis Ababa Thus, based on reviewed related literatures, the researcher developed the following alternative hypotheses to estimate factors that affect loan repayment performance commercial banks in Ethiopia empirical evidence reviewed in the literature parts. Accordingly, the following alternative hypotheses are tested.

- H1: Educational level of borrowers statistically significant and positively determines successful loan repayment. Kashulize (1993)
- H2: Martial status statistically significant and positively determines successful loan repayment. Mubarik (2020)
- H3: Income from other sources statistically significant and positively determines successful loan repayment. Kiros (2023)
- H4: Interest rate statistically significant and negatively determines successful loan repayment. Adinew (2019)
- H5: loan diversion statistically significant and negatively determines successful loan repayment. Endris (2022)
- H6: Repayment period statistically significant and positively determines successful loan repayment. Shirega (2016)

- H7: Loan follow up statistically significant and positively determines successful loan repayment. Wongnaa and Awunyo (2013)
- H8: Loan size statistically significant and positively determines successful loan repayment. Adugna (2019)
- H9: Loan supervision statistically significant and positively determines successful loan repayment. Adugna (2019)
- H10: collateral statistically significant and positively determines successful loan repayment. Endris (2022)
- H11: saving culture statistically significant and positively determines successful loan repayment. Yonas (2016)
- H12: Loan Processing time statistically significant and positively determines successful loan repayment. Mulugeta (2010)

1.5. Significance of the study

The finding of this study would be important to understand the behavior and tendencies of commercial banks in distributing loans and credits to the public. Based on the finding and general documents, this research would have great contribution to the existing knowledge in the area of factors that affect loan repayment performance of commercial in the context of Ethiopia. Therefore, the major beneficiaries from this study would be commercial banks to improve loan repayment performance, it gives some insights to understand the gaps in approving loan repayment performance, and it would assist the bank to identify aspects or areas where borrowers experience challenges and work towards filling up the gap. This study would be also benefit for regulatory bodies, the academic staff of the country and the society as a whole in the country. Finally, this study would also be used as a basis for any future study that will needs to explore on some other concerns which was not covered in this study.

1.6. Scope of the study

In this study, the researcher attempted to identify factors that affect loan repayment performance of Addis international bank in Addis Ababa. Any research concerning a loan facility all over Ethiopia as well as regional level is more complicated, very expensive and time consuming. Because of this, the study mainly focused on Addis Ababa. To make the study manageable and

to evaluate the problem in detail, the researchers focused only to the factors that affect loan repayment performance of Addis international bank in Addis Ababa.

1.7. Organization of the study

This study consisted of five chapters. The first chapter deals with introductory part which contains background of the study, statement of the problem, objective of the study, research hypothesis, significance of the study, scope of the study and organization of the study. Chapter two presents the review of related literature that is related to loan repayment performance. The third chapter contains brief description of the research methods that would use to conduct the study. The fourth chapter presented the Results and the Discussion; and the last chapter includes Conclusions and Recommendations.

CHAPTER TWO

2. Review of related literature

2.1 Introduction

This chapter aimed at providing a theoretical overview and empirical evidence on factors that affect loan repayment performance and the information from other researchers who have carried out their research in the same field of study

2.2 Theoretical literatures

2.2.1. Financial institutions

Financial institutions are private or governmental organizations, which play a vital role in the financial system of each country in every economy. As financial institutions as well play a crucial role for the majority of citizens by providing of all financial transactions, government consider it imperative to supervise and regulate banks and other financial service companies. For the Same reason potential bankruptcy of financial institutions may cause a lot of panic within the economy. Some of The roles of financial institutions are: they create loans of long term maturity out of deposits that mature in the short term, reduce and diversify risk by investing in different sectors of the economy, Reducing the cost of contracting and information processing for completing contracts and processing information, Providing a payment mechanism by enabling individuals and businesses to effect payments using checks, credit cards, debit cards, and through electronic transfer (Ayele,2013).

Financial institutions are composed of Deposit taking institutions like Commercial Banks, Saving and Loan Associations, Microfinance Institutions and Non-deposit taking institutions including Insurance companies, Mutual funds, Pension funds and Investment Banks. Banking service is one of the many roles of financial institutions which provide many services and their primary role is to take deposits from those with money and lend them to those who need funds. People who have the money but do not have business skill need to save it in a bank rather than putting it at home to be safe and not to make their resources sterile as it will generate interest when it is deposited in banks. Inversely, those who have developed entrepreneurial skill but running with a short of finance are ready to take loans. Banks perform various roles in the

growth of firms. First, they ameliorate the information problems between investors and borrowers by monitoring the latter and ensuring a proper use of the depositors' funds. Second, they provide inter temporal smoothing of risk (Allen &Gale,2008).

2.2.2 The concept of loan

Loan is a sum of money that one or more individuals or companies borrow from banks or other financial institutions so as to financially plan and unplanned events. Loans can be given to individual's corporations, and governments. Loan is the lending of money from one individual, organization or entity to another individual, organization or entity. A loan is a debt provided by an entity (organization or individual) to another entity at a n interest rate, and evidenced by a note which specifies, among other things, the principal amount of money borrowed, the interest rate the lender is charging and date of repayment (Guttentag, 2017). In 2019 (proclamation) 1159 issued in federal Negarit Gazette loan means any financial assets of a bank arising from a commitment to advance funds by a bank to a person that is conditioned on the obligation of the person to repay the funds, either on a specified date or dates or on demand usually with interest.

2.2.3 The Loan Default

There is no commonly accepted definition for loan failure. The definition adopted for the purpose of this study is the operational definition by NBE Directive 2012, which defines Nonperforming Loans as loans whose credit quality has deteriorated such that full collection of principal and/ or interest in accordance with the contractual repayment terms and conditions is not realized for more 12 (Twelve) months from the scheduled payment date or maturity. These loans categorized under 3 periods. The first period is Substandard in which the Medium and long-term loans past due 12 (Twelve) months or more, but less than 18 (Eighteen) months, the second is Doubtful which is a Medium and long-term loans past due 18 (Eighteen) months or more, but less than 3 (Three) years, the third is loss in which a Medium and long-term loans past due 3 (Three) years or more NBE directive No SBB/69/2018.

2.2.4 Loan products

The Bank offers a wide-range of credit products supposed to fit with the existing or Future demands of the economy and its customers, so as to maximize its profit. There are many loan

products delivered by banks. These products generally classified under two categories which are commercial and consumer loan products.

The commercial loan products are an overdraft which is a form of credit facility by which a customer is allowed to withdraw beyond the deposits of its current accounts for the sole purpose of the day-to-day operational needs of a viable and on-going business and it is repayable on demand, A Merchandise Loan which is a short-term credit facility provided by the Bank against which the merchandise or documentary evidence (Railway Receipt, Warehouse Receipt and Airway Bills) is held as a pledge or collateral for the loan and it is provided to relieve the customer from cash flow problems arising from money tied up in the merchandise, The import letter of credit facility which is a credit product that the Bank extends to applicants engaged in the import business, or other applicants who import for various purposes on payment of a certain percentage of the value of the document, while opening a Letter of Credit, Pre-Shipment Export Credit Facility which is a loan extended for the purchase of raw materials, processing and converting them into finished goods, warehousing, packing and transporting the goods until their time of shipment, A letter of guarantee facility issued by a Bank is a written promise/ irrevocable obligation by the Bank to compensate (pay a sum of money) to the beneficiary (local or foreign) in the event that the obligor fails to honor his/her/its obligations, in accordance with the terms and conditions of the guarantee/agreement/contract (Amhara bank [Aba], 2022). Term Loan is the other product which is a loan granted for working capital and/or project finance to be repaid within a specific period of time with interest. The loan is repaid in a lump sum on maturity, or in periodic installments (i.e. monthly, quarterly, semi-annually, or annually), depending on the nature of the business and its cash flow. The Bank extends Short-Term Loans, Medium-Term Loans and Long-Term Loans, Consulting Firm Financing is a form of short-term loan extended for the purpose of working capital financing to business professionals engaged in rendering professional services such as Engineering, Information Communication Technology, Law, Accountancy, Management, Architecture, Art. Idea Financing is a term loan that is extended to individuals/groups for the purpose of implementing scientific studies, which has got recognition in invention and innovation by the concerned government organ (Aba, 2022).

Motor Vehicle Loan and housing loan are consumer loan products. Motor Vehicle Loan is a term loan granted for the purchase of motor vehicles for borrowers in the transport sector as well as

other business sectors, housing loan is a loan extended to individuals that want to build, purchase, renovate, or expand existing residential buildings or apartments/ flats, and/or to construct (Aba, 2022).

2.2.5 Loan repayment

Loan repayment is an arrangement of in which a lender gives money or property to a borrower and borrower agree to return the property and repay the money, usually along with interest at some future time. Usually there is predetermined time for repaying a loan and generally the lender has to bear the risk that borrower may not repay a loan, generally it is a time that a borrower or debtor to repay his debt or loan at the right time. Borrowers who satisfy the entire loan contract conditions and repay their loan without any problem (Pindback, 1981)

Loan repayment consisted of loan principals and interest. Loan repayment would be effected based on the agreement entered between the bank and the client. Banks encourages timely repayment. To this end, it requires to make the borrower aware of the advantage of paying loan on or before due date. The relationship between the borrower and the lender is important. The more distance the lender is from the borrower, the less control the lender has over the repayment of the credit (Shekhar, 2000)

2.2.6 Frequency of loan payments

Loan payments can be made on an installment basis (weekly, biweekly, monthly) or in a lump sum at the end the loan term, depending on the cash patterns of the borrower. For the most part, interest and principal are paid together. However, some Banks charge interest up front (paid at the beginning of the loan term) and principal over the term of the loan, while others collect interest periodically and the principal at the end of the loan term. The frequency of the loan payments depends on the needs of the client and the ability of the MFI to ensure repayment (Ledgerwood, 1999)

2.2.7 Requirements to grant loan

The five "C" s Of Credit

Credit analysis serves the function of screening loan applications identifying risks, structuring an appropriate. Loan, Security quality asset when necessary and monitoring the loan is on a going basis (Rechard, C, 1948). Credit analysis by a lender is used to determine the risk associated with making a small business loan regardless of the type of financing needed, a bank or lending institution will be interested in both your business and personal financials.

2.2.7.1. Capacity

Capacity is defined as the borrower's ability to satisfy debit obligations from predictable or consistent income sources. The principal to use to measure capacity is the debit to income ratio, a cash flow analysis of the borrower's total debt obligations compared to verifiable gorses monthly income (Aida, 2014)

2.2.7.2. Capital

The term capital relates to how well the borrower has managed his/her financial affairs. There are three conditions /dimensions to consider, net worth, liquidity and financial responsibilities. New worth is borrowers' total assets minus his/her liabilities, naturally, an individually with scientifically net worth has a greater incentive to protect investment and repay obligations. Liquidity is the ability of borrower to meet his objections with cash necessary or to convert assets to cash quickly. Capital is the amount of funds invested by the borrower in a business to support both fixed asset and current assets in other words it described as 'net worth support' (Flesig, 1995)

2.2.7.3. Character

The term "Character" related to willingness to pay or often sense of honor. Toward obligations and often used with integrity. The most direct evidence of this is the actual record of how debt payments have been hundred historically as revealed by credit report as well as checking with employers and creditors. The most significance aspect of the credit report is consistent good performance. A few isolated delinquencies may be insignificant if an overall pattern of prompt payment history exists. A reported delinquency with mortgage lender is significant and considered to be derogatory unless the borrower demonstrates other wise and it comes from evidence of stability and roots. Stability is residence and employments are positive factors. A

career commitment can also create a sense of root since maintaining good reputation and credit standing are necessary to achievement of major career goals (Aida, 2014)

2.2.7.4. Conditions

Conditions refers to factors essentially beyond the borrowers control that could in pair or enhance his/her ability to meet communities. There are many risks to pay back that cannot be for seen even. With product credit analysis the likely college of an employer could be consideration even though that person's credit picture looks otherwise favorable to while it may be difficult to judge outside influences certain industries are more appropriate to these influences including medical, insurance and financial services. Economic conditions affect the ability of the borrowers to repay financial obligations but are beyond the control of the borrower and the lender, according to Shaker (1982).

2.2.7.5 Collateral

It is defined as the security or assets pledge by borrowers to the lender. Lender first try to reduce risk by sound experienced credit analysis. The value and quality or collateral is determined by the property appraisal. Since all of the previous factors required some elements judgment the function of collateral is to protect lenders from the imperfective of judgment as well as from the adverse impair of anticipated changes in condition (Aida, 2014)

2.3. Empirical Literature Review

There are many researches regarding repayment of loans, locally as well as internationally. The researcher states the following empirical literature reviews from different perspective and titles which will help this study as an input. More specifically, studies Related with factors that affect loan repayment performance were reviewed.

2.3.1 Global Studies related about factors that affect loan repayment performance

.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 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.

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.

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 borrower's 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 show 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

2.3.2. Local Empirical studies in Ethiopian Context

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 10 employees 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.

Mengistu (1997) used binomial model to analyze the repayment performance of the borrowers of micro enterprise in Awasa and Bahirdar towns and he reported that the number of workers employed has positive relation with full loan repayment for both towns; while loan size and loan diversion were negatively related. Age and weekly repayment period had positive relation with repaying loan in full in Awasa. In case of Bahirdar loan expectation and number of workers employed have positive relationship with full repayment, while loan diversion and availability of other sources of credit have a negative impact.

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 eleven 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

Abreham (2002) Studied on the loan repayment and its determinants in small scale enterprise financing around Zeway area and He found out that other sources of income, education, and work experience related economic activities before the loan are enhancing loan repayment. While extended loan repayment period influences the repayment performance negatively.

Jemal (2003) analyzed the microfinance repayment performance of Oromia credit and saving institution in Kuyu, Ethiopia. According to his finding; sex, loan size and number of dependents are negatively related to loan repayment. On the other hand, age was found to be positive. Income from activities financed by loan, repayment period suitability and loan supervision are positively and significantly related to loan repayment performance.

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

Firafis (2015) Investigated research on determinants of loan repayment performance in case of Harari micro finance institution in Ambo University. He takes the borrowers character, lending characters and business character as the main factors affecting loan repayment performance. The author employed logit model to analyze the finding and uses multi-stage sampling techniques. The researcher used variables like saving habit, loan size, and perception of borrowers on repayment period, source of income, availability of training, business experience, business type, family size and purpose of saving as factors influencing repayment performance highly from fifteen variables inclusively taken by researcher.

Ayele (2016) studied in DBE with title determinant of successful loan repayment performance in project financing in case of head office using only secondary data. He takes the borrowers character, lending characters and business character as the main factors affecting loan repayment performance and employed probit model for analyses. As per author result the managerial experience of project managers, loan processing time, educational level, number of project supervisions/ follow-ups by the bank, equity-to-debt ratio, delay in project implementation period and type of management for the financed projects were statically significant determinant of loan repayment performance of DBE's financed projects whereas the analysis of the marginal

effect shows that equity-to-debt ratio of borrowers is the most important determinant among the other six variables. The researcher recommends different policy as per his finding for banks.

Kassu (2018) also conducted on the determinants of loan repayment performance of project financing in the case of development bank of Ethiopia Head office. Being the data was collected from both secondary and primary sources. The researcher used both Explanatory and descriptive research design with quantitative and qualitative data. The variables used in the study were, amount of loan, credit experience, educational status of borrower/manager, equity contribution ratio, project profitability, managerial experience of project manager, number of project follow-up, project implementation period delay, appraisal, due diligence and Grace period. The study uses logit to identify variables which determine loan repayment performance. The study revealed that managerial experience of project manager, equity contribution ratio, delay in project implementation period, credit experience, educational status of borrower/manager and due diligence are statistically significant determinants of loan repayment performance of DBE's financed projects. As per the researcher result suggested different policy implications.

Fikadu (2019) showed that, age of the borrowers, level of education, income from activities financed by the loan, suitability of, family size, loan diversion rate, residential area, loan size and grace period were significantly affect loan repayment performance.

Research has been done by Adugna (2019) with title determinants of loan repayment performance microfinance institution in case of Omo microfinance Hadia zone. Being the data was collected from both secondary and primary sources. He used binary logit model to analyze the socio-economic factors that influence loan repayment. Furthermore, a chi-square analysis was employed to compare the defaulters and non-defaulters group. A total of sixteen explanatory variables were included in the regression. The Out of these, eleven variables were found to be significant like age, education, family size, loan size, loan diversion, repayment schedule, supervision and celebrations of social ceremonies are important and significant factors that enhance the loan repayment performance, while timeline of loan Released, other source of income and external shock are found to significantly and adversely affect loan repayment performance The remaining five variables were found to be insignificant for the probability of being a defaulter.

As discussed above many researches has been conducted on loan repayment performance in different sectors with different size of business by taking borrower character, lending characters and business characters. Majority of the authors, focus on micro, small scale enterprises and private levels that give loan by taking guarantee from each individual. The study done in ADIB limited to specific sectors, different area by taking only borrowers, lenders and business characteristics only. Most of them has different finding and not take into account other factors like currency problem and infrastructures availability.

Moreover, there are also conflicting results from previous studies. For instance, loan size affects repayment performance negatively in the research conducted by Jemal(2003) but it affects positively in the study by Adugna(2019)

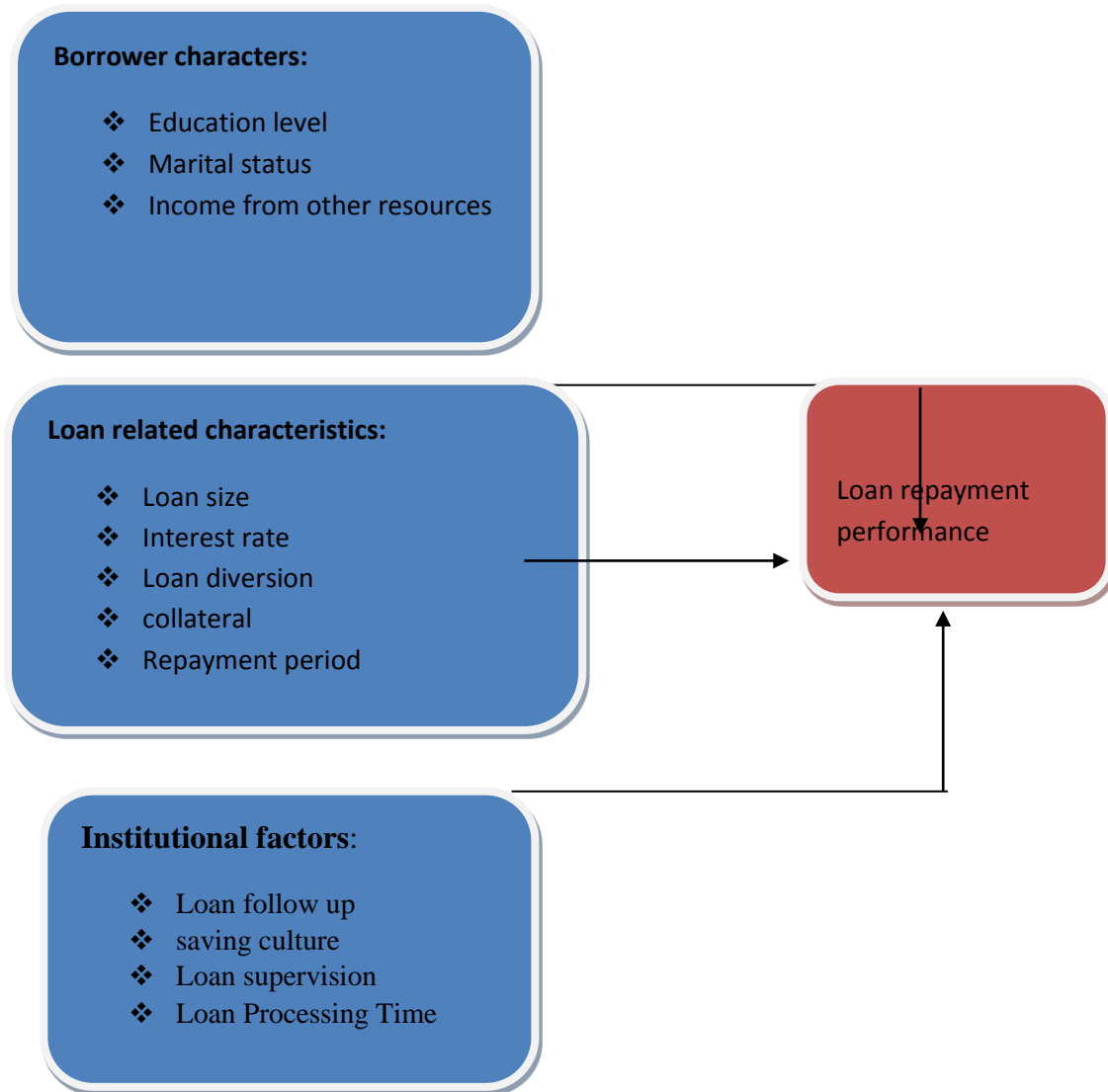
Knowledge Gap

Various researches have been conducted on loan repayment performance at different place and time period but the findings by different various researchers show that there is the inconsistency of results regarding the determinant factors. For instance loan size affects repayment performance negatively in the research conducted (Jemal, 2003) while it affects positively in the study by Adugna(2019). As per researcher knowledge, no study is conducted by taking loan, borrower and institutions characteristics as a loan repayment performance factor in the same time. Thus, by taking in-to account these and some other methodological gaps and keeping the results or findings of the former studies, the researcher attempts to identify the problem of loan repayment performance and to investigate the factors that affect loan repayment performance of commercial banks in Addis Ababa with a particular emphasis of Addis international bank.

2.4. Conceptual framework of the study

According to Cresswell (2003) indicates that a conceptual framework is a diagram that elucidates the main concepts being studied and the relationship among the variables. The conceptual framework provides a visual presentation on what the study is all about and the expected outcome of the study based on theory and previous studies that are similar to the study in question. The conceptual framework that will be applied in this study is presented in Figure

Figure 2. 1 Conceptual Framework



Source: "In a similar study conducted on Factors that affect Loan repayment performance of Zemen Bank SC the researchers classified their variables into loan characteristics, borrower characteristics, and institutional characteristics (Mihretu,2022).

2.5. Operational definitions of variables

2.5.1 Dependent variable

Loan repayment performance is the dependent variables of the study. The 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 fail to repay the loan principal and interest rate.

2.5.2 Independent variables

Factors that affect loan repayment performance are described below.

Educational level of Borrower: This variable may have a mixed impact. Normally an educated borrower could be expected to make use of the loan proceeds in a better way than the uneducated one and hence can become an active payer. In general, the variable is expected to have a positive sign. But there is nothing that would stop the opposite from happening. Educated individuals have better chance of securing which color jobs and they are very mobile. The tendency to more from place to place in search of better job opportunities implies that they are unlikely to have reputation within the community that can make them attractive to lender and social groups that are coming together for saving and credit purpose (Godquin, 2004). Higher educational levels may indicate a better understanding of financial obligations and higher income potential.

Collateral

Collateral refers to security or guarantee for the loan borrowed. Collateral acts as an indication enabling the bank to attenuate or eliminate the adverse selection problem caused by the existence of information asymmetries between the bank and the borrower at the time of the loan decision. Although bank knows the credit quality of the customers, the collateral helps to alleviate moral hazard problems once the loan has been granted Philippe (2004). Borrowers who provide collateral for their loans are more likely to repay as they have a vested interest in protecting their assets. Consequently, problem of moral hazard faced by the bank in lending could be restrained by having collateral. As stated by Bolton (2010), collateral can be seen as an instrument ensuring good behavior on the part of borrowers, given the existence of a credible threat.

Loan Diversion: If loan is diverted to non-intended and non-income generating purposes (such as consumption), it is likely that the sign of this variable will be negative. In other words diverted funds not used productively reduce repayment capacity. If, however, the loan is diverted to non-intended but income generating purposes, the sign will be positive (Von Pischke, 2016). Monitoring loan diversion incidents and their impact on repayment performance can help identify risky borrowers and improve risk management strategies.

Follow up of loan: Manager should maintain contact with borrowers and as far as possible should keep watch full. Eye to ensure that loan one used for the purpose for which they are guaranteed. Any apparent deterioration on borrower's position should be immediately investigated and reported where appraiser. All outstanding loans should be reviewed by managers at least once in a month to ensure that repayment are being made regulatory slackness in this respect only leads to more difficulties later if borrowers find that the manager over look non - payment of installments (Godquin, 2004). Lack of systematic follow up procedures in securing principle and interest payment each month sometimes hampers collection. Borrowers are not always aware of when loan payment at due (Ledgerwood, 1999). Regular follow-up with borrowers can encourage timely repayments and help identify any issues or challenges they may be facing.

Repayment period

The shorter the repayment period, the more your bank likes you. For example, several banks give maximum score to people who opt for a repayment period of up to five years. It falls to half if the repayment period is between 10 and 15 years. And it is at the lowest end for those opt for a payment period of 15-20 years. So, the next time, try to shorten your loan period if approval becomes difficult (Abafita, 2003).

Interest rate

An interest rate is the rate at which interest is paid by borrowers for the use of money that they borrow from the lending institution. Rose (2011) defined interest rate as the price of the loan able funds. Interest rates can be looked at from two perspectives, that of the borrower and the lender. Interest rate is the costs of borrowing money expressed as a percentage of the amount borrowed. The borrower assesses the returns of the proposed project and considers the interest rate of the credit facility before deciding to take the facility. Lenders on the other hand consider costs such as production cost, the inflation rate, personnel, administrative costs, provision for loan loss and capital growth before determining the interest to be charged on a particular facility at a particular time. Financial institutions should charge rates that can cover costs and make a contribution for the institution. Rate of interest is generally taken as the price of credit; the amount of interest paid or earned depends on a number of other factors: the amount lent or borrowed, the length of

time involved, the stated (or nominal) annual rate of interest, the interest payment schedule, and the method used to calculate interest (Zeller, 1996).

Supervision and advisory visits: This variable is supposed to be positively related with loan repayment. Tight supervision and advisory visits can improve the proper utilization of the loan with tight supervision; borrowers can be made to observe their credit obligations (Ledgerwood, 1999).

Income from other sources

Borrowers with some diversified income sources can make recovery performances more successful. Income from other sources can be listed as follows but not limited to Salary/Wages, equipment rental services (such as house rent, and others). An increase in other source of income earned by borrowers might have the possibility that loan could probably approved to and repaid by respective borrowers on time (Abafita, 2003).

Marital status

Marital status is the legally defined marital state and the distinct options that describe a person's relationship with significant other. Married, single, divorced, and widowed are examples of such status and sometimes may be a source of discrimination. Therefore, it is expected to have positive relationship with approval and recovery performance of housing finance (Abafita, 2003).

Saving culture

Saving the portion of income not spent on current expenditures. Borrowers usually save from their proceeds for consumption smoothing purposes throughout the year, accumulation of wealth, and for contingency purposes in case of bad accident. In this study saving habit is expected to have a positive relationship with loan repayment. Therefore, if the group borrowers developed saving habit practice, may help them to use the borrowed money properly than non-developed saving habit borrowers, and more the amount of savings, the greater the capacity to repay as opposed to low amount of savings (Abafita, 2003). Borrowers with a strong saving culture may be more disciplined in managing their finances and repaying their loans. monitoring the relationship between saving culture

Loan size

Loan size refers to the amount of money disbursed to the borrower. The loan amount can be small, medium or big. Banks prefer bigger loans to smaller ones because the transaction costs of bigger loans are lower than small and medium loans but have higher returns. Efficient loan size should fit the capability of the borrower to repay and stimulate enterprise performance. It is another factor that can affect loan repayment performance. (Godquin, 2004) showed that loan size has negative sign and is significant in affecting loan repayment. This negative sign is theoretically explained by the fact that the loan size increases the gains associated with extant and exposit moral hazard. The negative sign of loan size of the loan could also be linked to borrowers' inability to repay a large amount over a given period (usually one year). It could be that, for a given duration large loans do not meet the borrowing needs and are not suited to the local economy. As larger loans may require more significant financial resources, increasing risk of default, I will measure the performance of the loan by requesting the amount of loan they borrowed lateral investigation with quality of loan.

CHAPTER THREE

3 RESEARCH DESIGN AND METHODOLOGY

3.1. Introduction

The research design is a road map to follow, explain and meant to resolve research problem and answer research questions. It encompasses research purpose, research approaches, research strategy including study area and type of data, research method including survey design, sample design, method of data collection techniques and data analysis technique.

3.2. Research approach

In terms of investigative study there are three common approaches to business and social research namely qualitative, quantitative and mixed methods approach. Qualitative research is an approach for exploring and understanding the meaning individuals or groups ascribe to a social or human problem with intent of developing a theory or pattern inductively (Creswell, 2009). On the other hand, quantitative research is a means for testing objective theories by examining the relationship among variables (Creswell, 2009). Finally, mixed methods approach is an approach in which the researchers emphasize the research problem and use all approaches available to more complete understand the problem (Cresswell, 2003).

3.3. Research design

A research design is a set of advance decisions that makes up the master plan specifying the methods and procedures for collecting and analyzing the needed information. The researcher was adopt descriptive and explanatory research design in order to analyze the topic thoroughly. The reason for preferring descriptive research design is it enables the researcher to collect data, describe the state of affairs and answer questions concerning the subject of study. Descriptive research determines and reports the way things are and also helps a researcher to describe a phenomenon in terms of attitude, values and characteristics (Mugenda, 1999).

According to Orodho (2003)descriptive survey is a method of collecting information by interviewing or administering a questionnaire to a sample of individuals. And the researcher uses explanatory research design because it could identify the relationship between two or more variables. And the great advantage is that it was flexible and adaptable to change. The

relationship between inter dependents and the relationship between dependent and independent variables clearly discuss the objective of the research. Therefore, this study will use descriptive method in order to describe the factors that affect loan repayment performance of Addis international bank S.C in Addis Ababa.

3.4 Target population Sampling technique and sample size

The target population of this study is the borrower and employees of Addis International bank sc. in Addis Ababa city. The sampling design employed is purposive sampling method. Thus, Addis Ababa City is purposively selected because this capital city is expanding rapidly resulting in huge loans to be financed in the city. The sample is selected from the total population. This population includes employees directly involved with credit activities and borrowers.

The researcher will use stratified sampling with simple random sampling techniques to select the sample from the borrowers and judgmental sampling technique to select the required sample from employees of Addis international bank SC. from different departments, the credit department will be purposively selected to ensure that the staffs who deal directly with loans are significantly represented. By using these technique employees of Addis international bank Sc. who were believed to have sufficient knowledge and familiarity with the credit activities were selected. The sample will be selected from the total population of 598. These populations are from 98 employees directly involved with credit activities and 500 borrowers. The researcher was used stratified sampling with simple random sampling techniques to select the required sample from employees of Addis International Bank Sc. From different departments, the credit department will be purposively selected to ensure that the staffs who deal directly with loans are significantly represented. By using this technique employees of Addis International bank Sc. who were believed to have sufficient knowledge and familiarity with the credit activities is selected

In addition to time, money and data constraints that had played an important role in selecting of the sample size, it is very important to determine a sample size by considering the practical situation. In this study, simple stratified random sampling was used to allocate the sample from each participant considering each respondent as strata. The reason is since stratified sampling technique of the proportional allocation is used to reduce the chance of being unlikely and

having a disproportionally large or small number of sample units selected from a subpopulation that was considered significant for the analysis. Therefore, to determine the sample size the researcher used the Yamane’s formula as follows:

$$n = N / (1 + N(e)^2)$$

Where “n” is sample size,

“N” is number of population,

“E” is 0.05 which is an allowance of random error (sampling error).

$$n = \frac{597}{(1 + (597 * 0.05 * 0.05))} = 240$$

Table 3. 1 Sample size determination

No.	Participant	Total in number	Sampled population
1	Branch loan officers	15	15*240/597=6
2	Credit analyst and follow up	20	20*240/597=8
3	Branch managers	62	62*240/597=25
4	Borrowers	500	500*240/597=201
	Total	597	240

Source: inquiry from the bank

3.5. Data sources and collection methods

For conducting this study, the researcher used different methods of data collection. Both qualitative and quantitative data was collected from primary and secondary sources. Specific data collection tools prepared to meet the objectives of the study. The study employed participatory research methodologies to gather sufficient, reliable and relevant qualitative information. Furthermore, quantitative data was collected through structured questionnaires from 62 branches of 500 borrowers and 97 bank employees. The data to be collected included all types of loans provided by the bank but loans that have reached their maturity date, which is either borrower, repay the principal amount borrowed along with any outstanding interest and fees by the agreed-upon maturity date or borrowers fail to repay the loan fully or partially.

3.6 Measurement of variables

Table 3. 2 Variables Definition and measurement

Variables	Definition	Measurement	Expected Sign
Educational level of Borrower	An educated borrower could be expected to make use of the loan proceeds in a better way than the uneducated one	5 point Likert Scale(1=Strongly disagree to 5= Strongly Agree	+ve
Collateral	Collateral refers to an asset or property that borrower offers to a lender as security for a loan	point Likert Scale(1=Strongly disagree to 5= Strongly Agree	+ve
Loan Diversion	Loan diversion occurs when the borrower uses funds obtained from loan for a purpose other than what a loan was intended for.	point Likert Scale(1=Strongly disagree to 5= Strongly Agree	-ve
Follow up of loan	Performing fledged follow-up as per the schedule and maintain contact with borrowers and as far as possible should keep watch full	point Likert Scale(1=Strongly disagree to 5= Strongly Agree	+ve
Repayment period	The time over which the borrower will repay the loan to the lender. The shorter the repayment period, the more your bank likes you	point Likert Scale(1=Strongly disagree to 5= Strongly Agree	+ve
Interest rate	The rate for amounts that one pay for money borrowed for	point Likert Scale(1=Strongly disagree to 5= Strongly Agree	-ve

Income from other sources	Borrowers with some diversified income sources can make recovery performances more successful	point Likert Scale(1=Strongly disagree to 5= Strongly Agree	+ve
Supervision and advisory visits	It refers to a visit conducted by a financial institution or lender to assess the progress and performance of a borrower who has received a loan	point Likert Scale(1=Strongly disagree to 5= Strongly Agree	+ve
Marital status	A legal status of an individual in relation to their marriage	point Likert Scale(1=Strongly disagree to 5= Strongly Agree	+ve
Loan size	Loan size refers to the amount of money disbursed to the borrower. The loan amount can be small, medium or big	point Likert Scale(1=Strongly disagree to 5= Strongly Agree	+ve
Saving culture	A practice of regularly setting aside a portion of one's income or resources for future use or emergencies	point Likert Scale(1=Strongly disagree to 5= Strongly Agree	+ve
Loan processing time	It the time covered from borrowers requested loan with application letter to the loan is disbursed	point Likert Scale(1=Strongly disagree to 5= Strongly Agree	+ve

3.7 Data Analysis and presentation

Since most of the data collected for the purpose of this study, qualitative information would generated using qualitative data collection methods, the data analyzed manually by carefully

recording, transcribing, transforming, organizing, and summarizing the data in to written form. Since the discussions and interviews made in the local language, Amharic, the information would collect directly and translate to English by the researcher. In order not to lose ideas and keep their originality, coherence and flow in depth interviews will tape-record and field notes will take on daily basis. All kinds of information analyzed qualitatively to produce qualitative information. Analysis of the qualitative data would done simultaneously with data collection. This is enabling the researcher to probe into other unrevealed ideas and raise further questions for detailed discussion. The data would further analyze at the end of every interview and group discussion. The interpretation of the meaning of the information collected would performed with utmost care and attention so that it will not lose its originality and clarity.

3.8. Model specification

The dependent variable, loan repayment performance is measured by the number of factors. In this study there are more than one independent variable were selected to examine determinates competitive advantage of banks therefore, the research used the following multiple regression model. The successful loan repayment performance of financed loan is measured on payment effected fully in their debt based on the contractual agreement. The borrowers are either fully paid its debt according to the contractual agreement or not. The Binary regression analysis would be applied for the research to address research objective which includes all variables together.

$$Y_i = \beta_0 + \sum \beta_i X_i + \epsilon_i$$

Where

Y_i = the i th observation of dependent variables

β_0 = the intercept of the equation

β_i = coefficients of X_i variables

X_i = the different independent variables

Σ = summation

ϵ_i = the error term

$LR = \beta_0 + \beta_1 (LS) + \beta_2 (MS) + \beta_3 (IFOS) + \beta_4 (RP) + \beta_5 (LF) + \beta_6 (EDL) + \beta_7 (IR) + \beta_8 (LD) + \beta_9 (LS) + \beta_{10} (C) + \beta_{11} (SC) + \beta_{12} (LPT) + \epsilon$

Where:

LR = Loan repayment

LS = Loan size

MS = Marital status

IFOS = Income from other sources

RP = Repayment period

LF = loan follow up

EDL=Education level

IR=interest rate

LD=loan diversion

LS=loan supervision

C=collateral

SC=saving culture

LPT= Loan processing time

Where Y stands for the mean values of loan repayment, whereas, β_0 , X1, X2, X3, X4, X5, X6, X7, X8, X9, X10, X11, X12 and ϵ denote the intercept of the equation, mean values of Loan size, Marital status, Income from other sources, Repayment period, loan follow up, Education level, interest rate, loan diversion, loan supervision, collateral, saving culture and error term of the equation respectively. In addition, β_1 , β_2 , β_3 , β_4 , β_5 , β_6 , β_7 , β_8 , β_9 , β_{10} , β_{11} and β_{12} are the parameters of the equation.

3.8.1 Reliability

Cohen & Teal (2007) Stated that Reliability in quantitative research is essentially a synonym for dependability, consistency and reliability over time, over instruments and over groups of respondents. In this form reliability is a measure of consistency over time and over similar samples. A reliable instrument for a piece of research will yield similar data from similar respondents over time.

To ensure the reliability of the measurement scales, Cronbach's alpha will be used in the calculation. Where 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.

3.8.2 Validity

We might ask the question: are we measuring what we want to measure? To tackle this problem researcher uses validity test. Validity is the extent to which data accurately reflects what they meant to reflect. Some factors can affect the validity of data, such as a respondent is in a speed to complete the questionnaire and misinterpretation of questions by the respondents will affect validity. The researcher tested the validity using an expert panel discussion with managers at different levels to get some comment on the instrument and make some rearrangement in some questions.

3.9. Ethical Considerations

The study is being ethically cleared for the department of Accounting and Finance. The researcher is using data collected from Addis International Bank SC, ensuring that all records and information are kept confidential for academic purposes only. The study is being conducted with full consideration of ethical standards. The researcher first briefs the participants about the research purpose and asks for their informed consent to participate. The issue of confidentiality is assured to the participants and will be implemented accordingly. Participants are also informed that they have the option to disagree and stop participating in the study at any time.

CHAPTER FOUR

4. DATA ANALYSIS, PRESENTATION AND DISCUSSIONS

4.1. Introduction

This chapter presents the findings of the study, analysis of data and presentations of major findings. For the purpose of demonstrating the relationship among the various variables, the data was presented in the form of tables, frequencies and percentages where applicable. To measure the relative importance of significant explanatory variables on loan repayment divided as borrower's characteristics such as, Education level, marital status and Income from other resources. Institutional characteristics like as saving culture, loan supervision, and Loan follow up. Loan characteristics of respondents such as Loan size, Interest rate, collateral, Repayment period and loan processing time are described.

4.2. Response Rate

In order to undertake this study total of 240 respondents was interviewed from which 237(198borrowers and 39 credit department employees) filled in and returned the questionnaires making a response rate of 98.75%. The survey interview questions were attached at the end of the thesis as Appendices.

Table 4. 1 Response statistics

Division	Sample Size	No of respondents who completed & returned questionnaire
Branch Loan Officer	6	6
Senior Credit Analyst and follow up	8	8
Credit department director and Branch Managers	25	25
Borrowers	201	198

Source: Author 's Research survey (2024)

The data which had been collected represents the sample and can be used to make conclusions. Based on the data obtained from the respondents, the following analyses and interpretations have been made

4.3. Reliability test

The researcher sought to assess the reliability of data of the sample taken in respect of the various variables in the study. The purpose of reliability test was to assess whether the sample was obtained from a normally distributed population. There are several methods of assessing the reliability and normality test of data distributed.

Preliminary analyses were conducted to indicate if there were any violations of the assumptions of normality, and reliability test was conducted. The total number of complete feedback received was 237 sample populations.

Table 4. 2 Reliability test result

Item	Cronbach's Alpha	No of item	Reliability
Educational level	0.858	3	Reliable
marital status	0.923	3	Reliable
loan follow up	0.819	3	Reliable
loan diversion	0.881	3	Reliable
other source of income	0.891	3	Reliable
repayment period	0.748	3	Reliable
Loan supervision	0.722	3	Reliable
interest rate	0.818	3	Reliable
loan size	0.788	3	Reliable
saving culture	0.814	3	Reliable
loan processing time	0.921	3	Reliable
Collateral	0.938	3	Reliable

Source: STATA output of field survey (2024)

4.4 Demographic and other Characteristics of Borrowers

Table 4. 3 Loan status of borrower with sex of the respondents

Variables	Response	Freq. of defaulters	%	Freq. of non-defaulters	%	Total Freq.	Total %
Sex	Male	44	33	88	67	132	67
	Female	20	30	46	70	66	33
Total Frequency		64	32	134	68	198	100

Source: Author 's Research survey (2024)

From the total sample, respondents based on sex distribution 33 percent female and 67 percent males. The percentage of the loan repayment status of the borrowers fully completed their payment with due date (no defaulters) 70 percent female and 67 percent male. From these result female borrowers have better repayment performance than male. This result indicated male borrower's low performance on loan repayment. So it can be concluded gender that related to loan default and females have lower default rate.

Table 4. 4 Loan status of borrower with age of the respondents

Variables	Response	Freq. of defaulters	%	Freq. of non-defaulters	%	Total Freq.
Age	21-30	32	44	41	56	73
	31-40	23	30	54	70	77
	41-55	8	26	23	75	31
	Above 55	1	6	16	94	17
Total		64	32	134	78	198

Source: Author's Research survey (2024)

As depicted in the above table 4.4, the age of respondents were categorized in to four parts. The respondents between age of 21-30 are 73 in number from this category 32 defaulters and 41 non defaulters ,within 31-40 are 23 defaulters and 54 non defaulters ,within 41-55 are 8 defaulters and 23 non defaulters and within above 55 are 1 defaulters and 16 non defaulters .This shows that the large number of defaulters borrowers are within age of 21-40 years, the second largest

group of age are between 31-40 years, the third are within 41-55, and the small percentage of age group of defaulters are above 55 years.

Table 4. 5 Loan status of borrower with marital status

Variables	Response	Freq. of defaulters	%	Freq. of non-defaulters	%	Total Freq.	Total %	Chi-square
Marital Status	Single	25	40.9	36	59.1	61	30.8	X ² = 3.023 Sig. = 0.082
	Married	39	28.5	98	71.5	137	69.20	
Total		64	32	134	68	198	100	

Source: Author’s research survey data (2024)

As depicted in the above table 4.5, the sample of marital status distribution, from the total respondent interviewed 30.8 % and 69.2% were single and married respectively. From this information, we can understand that the percent with loan repayment performance from respondents who are single was 40.9 percent defaulters and 59.1 percent non-defaulter borrowers. Whereas married borrowers who responded 28.5 percent are defaulters and 71.5 percent successful or non-defaults borrowers. This result indicates that the percentage of defaults for single is greater than those married which means married borrowers do have significantly good repayment performance compared with those who didn’t married because they more financially prepared before they borrow, or some aspect of marriage encouraged them to take new debt manage it responsibly. Based on this result the P Value of the result is 0.082, which is greater than the minimum standard for P value 0.05 or insignificant. This means there is not statistical significance different between the marital status of defaulters and non-defaulters.

Table 4. 6 Loan status of borrower with educational level of the respondents

Variables	Response	Freq. of defaulters	%	Freq. of non-defaulters	%	Total Freq.	Total %	Chi-square
educational	Literate	44	27	122	73	166	84	X ²

level	Illiterate	20	63	12	37	32	16	=15.889
Total		64	32	134	68	198	100	Sig. = 0.000

Source: Author's Research survey (2024)

As depicted in the above table 4.6, the sample of Educational level distribution, from the total respondent interviewed 84% and 16% were literate and illiterate respectively. From respondents who are literate were 27 percent defaulters and 73 percent non-defaulter borrowers. Whereas respondents who were illiterate borrowers responded are 63 percent defaulters and 37 percent successful or non-defaults borrowers. From this information, we can understand that the default rates of Illiterate borrowers which are 63% are higher than the default rate of Literate 27%. Therefore, the researcher concluded that, the literate borrowers were well informed and acted responsibly by repaying their loan on time than illiterate borrowers. Based on this result the P Value of the result is 0.000, which is less than the minimum standard for P value 0.05 or significant.

Table 4. 7 Loan status of borrower with other Source of income

Variables	Response	Freq. of defaulters	%	Freq. of non-defaulters	%	Total Freq.	Total %	Chi-square
Do you have other Source of income?	Yes	17	27	45	73	62	31	X ² = 0.992 Sig. = 0.319
	No	47	34	89	66	136	69	
Total frequency		64	32	134	68	198	100	

Source: Author's Research survey (2024)

According to the survey result shown on table 4.7, borrowers who had other source of income were 31% whereas 69 % of borrowers had no other source of income. From respondents who had a source of income were 27 percent defaulters and 73 percent non-defaulter borrowers. Whereas borrowers who had no other source of income responded are 34 percent defaulters and 66 percent successful or non-defaults borrowers. From this information, we can understand that

the default rates of borrowers who had no other source of which are 34% are higher than those borrowers who had other source of income 28%. From these result borrowers who had other source of income have better repayment performance than those have no other source of income. The more source of income you have, the faster your money can grow. It is easier to reach financial goals when you have multiple of streams of income because it allows you to make more money and get closer to those goals much more quickly than if there was one stream of income. Based on this result the P Value of the result is 0.319, which is greater than the minimum standard for P value 0.05 or insignificant. This means there is not statistical significance in Loan status of borrower with other Source of income

Table 4. 8 Loan status of borrower with family size

Variables	Response	Freq. of defaulters	%	Freq. of non-defaulters	%	Total Freq.	Total %
Family Size	1-3	16	44	20	56	36	18
	4-5	13	42	11	58	24	12
	6-10	31	26	87	74	118	60
	Above 10	4	20	16	80	20	10
Total frequency		64	32	134	68	198	100

Source: Author's Research survey (2024)

Regarding the Family size of the borrower's, out of the total sample borrowers, 18% of borrowers have a family size of 1-3, 12% of them have 4-5, 60% have a family size of 6-10 and the rest 10 % have more than 10 family members. From respondents who had large family size have a larger default rate compared to those borrowers who have a small family size. This shows that as borrower's family size increases, the probability of borrowers to repay their loan decreases. Having higher number of household members will increase consumption expenses and other living expenses.

Table 4. 9 Loan status of borrower with loan diversion

Variables	Response	Freq. of defaulters	%	Freq. of non-defaulters	%	Total Freq.	Total %	Chi-square
Would you diversify the money you borrowed for other purpose	Yes	36	34	70	66	106	54	X ² = 0.280 Sig. = 0.597
	No	28	30	64	70	92	46	
Total frequency		64	32	134	68	198	100	

Source: Author’s Research survey (2024)

This result indicated that from the observed population 46 percent of the respondents are not diversifying their loan for the intended purpose whereas 54 percent of the respondents are diverting their loan to the intended purpose. From respondents who are not diversifying their loan were 30 percent defaulters and 70 percent non-defaulter borrowers. Whereas borrowers those who diversified their loan for other purpose are 34 percent defaulters and 66 percent non-defaults borrowers. From this information, we can understand that the default rates of borrowers who diverting their loan to other purpose are higher than those borrowers who didn’t do that. Based on this result the P Value of the result is 0.597, which is greater than the minimum standard for P value 0.05 or insignificant. This means there are not statistical significance different between the borrowers those who diversified their loan for other purpose and those not diversifying.

4.5 Loan character of the sampled respondents

Table 4. 10 Loan status of borrower with loan size

Variables	Response	Freq. of defaulter	%	Freq. of non-defaulter	%	Total Freq.	Total %	Chi-square
Do you think the	Yes	11	18	51	82	62	31	

amount of money you borrow from ADIB is enough for the intended purpose ?	No	53	39	83	61	136	69	X2= Sig. = 0.003
Total frequency		64	32	134	68	198	100	

Source: Author’s Research survey (2024)

This result indicated that from the observed population 31 percent of the respondents believe that the amount of money borrowed from Addis international bank is enough for the intended purpose whereas 69 percent of the respondents believe that the amount of money borrowed from Addis international bank is not enough for the intended purpose. From respondents who believe that the amount of money borrowed are enough were 18 percent defaulters and 82 percent non-defaulter borrowers. Whereas borrowers those who believe that the amount of money borrowed are not enough are 39 percent defaulters and 61 percent non-defaults borrowers. From this information, we can understand that the default rates of borrowers who believe that the amount of money borrowed from Addis international bank is not enough are higher than those borrowers who believe that the amount of money borrowed from Addis international bank are enough. Based on this result the P Value of the result is 0.003, which is less than the minimum standard for P value 0.05 or significant.

Table 4. 11 Loan status of borrower with Interest Rate

Variables	Response	Freq. of defaulters	%	Freq. of non-defaulters	%	Total Freq.	Total %	Chi-square
Interest rate for credit set by Addis International bank is	Fair	14	20	57	80	71	36	X2= 8.040 Sig. = 0.002
	Not fair	50	39	77	61	127	64	
Total frequency		64	32	134	68	198	100	

Source: Author’s Research survey (2024)

This table shows the relationship between the status of the loan repayment and interest rate charged by the institutions. The result shows that from the observed population 36 percent of the population believes the interest charged is fair whereas about 64 percent of the population responded the chargeable amounts to interest charged by Addis International bank is not fair. Regarding the loan repayment status of respondents for those who responded the interest charged is not fair was 39 percent defaulters and 61 percent non defaulters whereas for those who responded the interest charged is fair was 20 percent defaulters and 80 percent non-defaulter. These results indicated unfairness of interest charged increase defaulter rate. . Based on this result the P Value of the result is 0.002, which is less than the minimum standard for P value 0.05 or significant.

Table 4. 12 Loan status of borrower with Collateral pledged

Variables	Response	Freq. of defaulters	%	Freq. of non-defaulters	%	Total Freq.	Total %	Chi-square
Do you have held collateral for the money you borrowed	Yes	13	17	65	83	78	39	X ² = 14.4222 Sig. = 0.000
	No	51	43	69	57	120	61	
Total frequency		64	32	134	68	198	100	

Source: Author’s Research survey (2024)

As depicted in the above table 4.12 from the observed population 39 percent of the population had collateral pledged whereas about 61 percent didn’t pledged any collateral for the loan they borrowed. From respondents who pledged collateral 17 percent defaulter and 83 percent non-defaulter. Whereas borrowers who didn’t pledged collateral are 43 percent and 57 percent for defaulter and non-defaulter respectively. These results indicated if borrowers pledged collateral the default rate would be minimized. This shows as borrowers pledged collateral, they keep up with their financial obligation. Because the borrowers know the consequence of loan default that is the lender seized the collateral and sells it. Based on this result the P Value of the result is 0.000, which is less than the minimum standard for P value 0.05 or significant.

Table 4. 13 Loan status of borrower within repayment period

Variables	Response	Freq. of defaulters	%	Freq. of non-defaulters	%	Total Freq.	Total %	Chi-square
Is the repayment period set by Addis International bank S.C Suitable	Yes	23	22	80	78	103	52	X ² = 9.800 Sig. = 0.002
	No	41	43	54	57	95	48	
Total frequency		64	32	134	68	198	100	

Source: Author’s Research survey (2024)

As shown in above table, 4.13 shows that out of respondents, 52 percent of the population believes the the repayment period set by Addis International bank are Suitable whereas about 48 percent of the population responded the the repayment period are suitable. From respondents who responded the repayment period are Suitable (22 percent) and (78 percent) defaulters and non-defaulter respectively. Whereas 43 percent of defaulters and 57 percent of Non-Defaulters responded the repayment period is no Suitable. The P value results show 0.002 that is less than 0.05, which is significant percent. Believe that the amount of money borrowed from Addis international bank is not enough.

Table 4. 14 Loan status of borrower with loan processing time

Variables	Response	Freq. of defaulters	%	Freq. of non-defaulters	%	Total Freq.	Total %	Chi-square
Do you think the time taken for disbursements of loan is a shortest possible time	Yes	6	10	59	90	65	33	X ² = 23.589 Sig. = 0.000
	No	58	44	75	56	133	67	
Total frequency		64	32	134	68	198	100	

Source: Author’s Research survey (2024)

As shown in above table, 4.14 shows that out of respondents, 33 percent of the population believes the time taken for disbursements of loan is short whereas about 67 percent of the population responded the time taken for disbursements of loan is not short. From respondents who responded the time taken for disbursements of loan is short (10 percent) and (90 percent) defaulters and non-defaulter respectively. Whereas 44 percent of defaulters and 56 percent of Non-Defaulters responded the time taken for disbursements of loan is not short. The P value results show 0.000 that is less than 0.05, which is significant percent.

4.6 Institutional character of the sampled respondents

Table 4. 15 Loan status of borrower with Loan follow up

Variables	Response	Freq. of defaulters	%	Freq. of non-defaulters	%	Total Freq.	Total %	Chi-square
Loan follow up	Yes	23	25	70	75	93	47	X2= 4.621 Sig. = 0.32
	No	41	39	64	61	105	53	
Total frequency		64	32	134	68	198	100	

Source: Author’s Research survey (2023)

The result of analysis from table 4.15 shows that out of respondents those who got follow up and didn’t get follow up by the lender institution are (47 percent) and (53percent) respectively. The percent with loan repayment performance from respondents those got follow up are 25 percent defaulters and 75 percent non-defaulter borrowers. Whereas borrowers didn’t get follow up 39% percent are defaulters and 61 percent are successful or non-defaults borrowers. The P value results show 0.32 that is greater than 0.05, which is insignificant. This result indicates that the follow-up by lenders increases probability of loan repayment performance of borrowers.

Table 4. 16 Loan status of borrower with saving culture

Variables	Response	Freq.	%	Freq.	%	Total	Total	Chi-
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		of defaulters		of non-defaulters		Freq.	%	square
Do you save money in ADIB	Yes	11	19	46	81	57	29	X2= 6.208 Sig. = 0.013
	No	53	38	88	62	141	71	
Total frequency		64	32	134	68	198	100	

Source: Author's Research survey (2023)

The result of analysis from table 4.16 shows that out of respondents those who save money in Addis international bank and those doesn't save are (29 percent) and 71percent) respectively. The percent with loan repayment performance from respondents those save their money in ADIB are 19 percent defaulters and 81 percent non-defaulter borrowers. Whereas borrowers those don't save are 38 % percent are defaulters and 62 percent are successful or non-defaults borrowers. The P value results show 0.013 which is less than 0.05or significant. This result indicates that save money in lender institution will minimize the liquidity problem of the bank and increases the probability of loan repayment performance of borrowers.

Table 4. 17 Loan status of borrower with loan supervision and advisory visit

Variables	Response	Freq. of defaulters	%	Freq. of non-defaulters	%	Total Freq.	Total %	Chi-square
Is your business visited by bank employees?	Yes	12	20	49	80	61	31	X2= 6.450 Sig. = 0.011
	No	52	38	85	62	137	69	
Total		64	32	134	68	198	100	

Source: Author's Research survey (2024)

According to the survey result shown on table 4.17 borrowers whose business area are visited and got advisees from bank employees were 31% whereas 69 % of borrower's business area is not visited by bank employees. From respondents whose business area is visited were 20 percent defaulters and 80 percent non-defaulter borrowers. Whereas borrowers whose business area not visited responded are 38 percent defaulters and 62 percent successful or non-defaults borrowers.

From this information, we can understand that the default rates of borrowers whose business area are visited which are 20% of default rate are lower than those borrowers whose business area not visited default rate of 80%. From these result borrowers whose business area are visited have better repayment performance than those whose business area are not visited. Based on this result the P Value of the result is 0.011, which is less than the minimum standard for P value 0.05 or significant.

4.7. Loan repayment performance (status) of borrowers

Table 4. 18 Loan repayment performance of borrowers

Observed	Category	Frequency	Percentage	Accumulative percentage
What is your loan status?	Default	64	32	32
	Non-Default	134	68	100

Source: Author's Research survey (2023)

The loan repayment statuses of the borrowers were taken as the primary way to the borrowers into defaulted and paid (non-defaulted). Accordingly, it is evident from table 4.18 that 68% of the sample respondents were non-defaulter for their installments while 32% of the sample respondents were defaulted. This implies that those borrowers categorized under defaulter, 32% of the sample respondents were included those who did not paid as per schedule agreed.

4.8. Factors that affect loan repayment performance

The study identified twelve independent variables namely Educational level, marital status, loan follow up, loan diversion, other source of income, repayment period, loan supervision, interest rate, loan size, saving culture, loan processing time and collateral. Descriptive analysis was conducted on the whole data set for variables in order to understand its nature and types of distribution (average mean and standard deviation) and the results show in table 4.19

Table 4. 19 Factors that affect loan repayment performance

Variables	Mean	Std. Deviation	N
Educational level	3.10	0.868	198
marital status	3.07	0.928	198

loan follow up	3.11	0.829	198
loan diversion	3.14	0.891	198
other source of income	3.11	0.728	198
repayment period	3.26	0.748	198
Loan supervision	3.27	0.783	198
interest rate	3.19	0.851	198
loan size	3.51	0.713	198
saving culture	3.19	0.862	198
loan processing time	3.29	0.829	198
Collateral	3.21	0.792	198

STATA output survey (2023)

The STATA output result shows the average mean result ranged from 3.07 (Marital status) to 3.51 (Loan size) which means that the respondents had positive response towards the factors being measured. In addition, the standard deviation was ranged between 0.713 and 0.928 which indicate a narrow spread around the mean.

4.9 Focus group discussion

According to the qualitative assessment and focus group discussion of with the participant's, respondents agreed on there are other factors that affect loan repayment performance including; inadequate or non-monitoring of borrower by banks, awareness creation on the type of loan interest rate, repayment period, effect of delaying to pay their loan .

Lack of willingness to pay loans coupled with diversion of funds by borrowers, willful negligence and improper appraisal by credit officers. In addition, corporate loan default increases as real gross domestic product decline, and that the exchange rate depreciation directly affects the repayment ability of borrowers. The major causes of loan default as loan shortages, delay in time of loan delivery, high interest rate, age of borrower, poor supervision, political situation of the country and undue government intervention with the operations of government sponsored credit programs. Moreover, family size, family living expenses and sustainability of borrowers' income were some of the factors that can influence the repayment capacity of borrower.

According to respondents, inadequate financial analysis is another cause of loan default. This is when in the loans department the officers do not take a careful study of the applicants to ensure that he/she has a sound financial base such that the risk of loss is mitigated in case of default.

Poor business practice is another cause; there are weaknesses of the borrower over which the lender has little control. Management of the business is also an essential part that needs to be emphasized. You find that many borrowers lack the technical skills like keeping records and checking on the business performance until the time of paying back the loan. This is usually hard because they never plough back the profits leading to loan default in the long run. Finally, from focus group discussion the researcher concludes most of borrowers are not happy with the interest rate assigned for the loan, the collateral required to borrow money, and the time period to pay their loans.

4.10 Loan Default

The problem of loan defaulters reduces the lending capacity of a financial institution and denies new applicants access to credit by case of cash shortage problems augment in direct proportion to the increasing default problem.

Table 4. 20 Loan Default

	Variables	Ranking	Freq.	%
Loan default	Due to economy fluctuation	1	81	40.9
	Improper utilization of loan	2	49	24.7
	Interest rate	3	27	13.6
	Have outstanding loan from other financial institution	4	25	12.6
	Weak borrowers' history	5	16	8.1

Among the 198 sample borrowers, as shown on the table 4.20 above, 40.9 % of respondent rank Due to economy fluctuation in the first as reasons for becoming default; 24.7% of respondents rank Improper utilization of loan as second reasons for becoming default; 13.6%, of respondents rank Interest rate as third 12.6% and 8.1% of respondent's rank Having outstanding loan from

other financial institution and Weak borrowers' history on fourth and fifth respectively as reasons for becoming default.

4.11. Measures to Control Loan Default

They view that, lenders devise various institutional mechanisms aimed at reducing the risk of loan default. These include pledging of collateral, third-party credit guarantee, use of credit rating and collection agencies, etc.). States that bad loans can be restricted by ensuring that loans are made to only borrowers who are likely to be able to repay, and who are unlikely to become insolvent. Credit analysis of potential borrowers should be carried out in order to judge the credit risk with the borrower and to reach a lending decision.

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. Need a monitoring system that highlights repayment problems clearly and quickly, so that loan officers and their supervisors can focus on delinquency before it gets out of hand.

They suppose that proper and adequate appraisal is a key to controlling or minimizing default. Since this is the basic stage in the lending process. The appraisal stage is the heart of a high quality portfolio. This includes diagnosing of the business as well as the borrower. Before beginning the process of collecting information on the client for the purpose of determining credit limits, the loan officer should have specific information available which will guarantee that the data and figures provided by the client. To control default banks should also carefully examine the monitoring and control stage in the lending process; many of the agonies and frustrations of slow and distressed credits can be avoided by good loan supervision which helps in keeping a good loan good.

4.12 Demographic profile of employees such as sex, age, education, position of employee

Table 4. 21 Demographic profile of employees

Category	Response	Frequency	Percentage
Sex of employees	Male	26	66%
	Female	13	34%

	Total	39	100%
Age of employees	21-30	11	28%
	31-40	19	49%
	41-55	8	20%
	Above 55	1	3%
	Total	39	100%
Position of employee	Director Credit Department	1	2%
	Division/Branch/ manager	24	62%
	Senior Credit Analyst /follows up/ Officer	8	21%
	Loan officer	6	15%
	Total	39	100%
Education level of employee	Diploma		
	Degree	20	51%
	Master's Degree	19	49%
	Others		
	Total	39	100%
Marital status	Single	13	33%
	Married	19	49%
	Divorced	1	3%
	others	6	15%
	Total	39	100%
Year of service or experience	Less than 1 year		
	2-5 years	10	26%
	6-10 Years	26	66%
	More than 10	3	8%
	Total	39	100%

Sex of employee: - As indicated in table 4.21. Above, from 39 respondents (employees), 16 (34%) were female and 26 (66%) were male respondents. This show in the sex contribution of employee's males is greater than females.

age of employee that respondents (employees) categorized into 4 age groups from that 28% of respondents were belong between 21-30 years, 49% of respondents were found the age between 30-40years, 20 of respondents were found the age between age 41-55 years, 3% of respondents were found in age of above 55. This implies that majority of respondents (employees) the majority of respondent's ages were found between the age group of 21-30 years and 31-40 years.

Educational level of employees: - As indicated in table 4.21 above, the education of the employee categorized into four levels such as diploma, degree and Master's degree and others. From 39 respondents of employee 51% of respondents were degree and 49% of respondents were Master's degree therefore, the majority of respondents of employee were degree holder.

Position of employee: - As indicated in table 4.21 above, the position of employee was categorized into four positions; 3% of respondent's credit director and 62% of branch or division managers and; 21% of respondent senior loan analyst or follow-up and the rest 15% of respondents were loan officer on credit department of the bank. This implies that the majority of employees were credit officer and credit analyst.

Marital status- As indicated in table 4.21 above, the marital status of employees was categorized into four; 33% of respondents were single and; 49% of respondent were married; 3% of respondents was divorced and the rest 15% of respondents were other than the above. This implies that the majority of employees were married.

Year of service or experience

As indicated in table 4.21 above, the Year of service or experience was categorized into four categories; 26% of respondents had between experience 2 -5 years; 66% of respondents had between experience 6 -10 years, 8% of respondents had experience of more than 10 years. This implies that the majority of employees have experience between 6-10 years.

Table 4. 22 employee's perception their staff awareness

Statements			Category					
			Strongly disagree	disagree	Neutral	Agree	Strongly Agree	Total
1	The credit staffs of the bank are always ethical in the execution of their duties	Freq.	2	5	2	14	16	39
		%	5%	13%	5%	36%	41%	100%
2	There is always information flow concerning credit operations amongst staff	Freq.	5	6	5	13	10	39
		%	13%	15%	13%	33%	26%	100%
3	Staff are usually trained on causes and measures to reduce customers defaulting on loans	Freq.	6	6	4	10	13	39
		%	15%	15%	10%	26%	33%	100%
4	Staff always adhere to the approved credit policies and procedures	Freq.	3	3	7	16	10	39
		%	8%	8%	17%	41%	26%	100%
5	The credit staffs of the bank are always committed and honest in all their actions	Freq.	2	5	4	16	12	39
		%	5%	13%	10%	41%	31%	100%

From the above table 4.22, 41% of respondents (employees) reply strongly agree, 36% of respondents (employees) reply were agree that the credit staffs of the bank are always ethical in the execution of their duties, 5% of respondents (employees) reply neutral 13 % of respondents (employees) reply were disagree that the credit staffs of the bank are always ethical in the execution of their duties and 5 % of respondents (employees) reply were strongly disagree on that the credit staffs of the bank are always ethical in the execution of their duties.

From the above table 4.22, 26% of respondents (employees) reply were strongly agree and 33 % of respondents (employees) reply were agree; 13% of respondents (employees) reply were neutral, 15% of respondents (employees) reply were disagree and 13% of respondents (employees) reply were strongly disagree on that there is always information flow concerning credit operations amongst staff.

From the above table 4.22, 33% of respondents (employees) reply were strongly agree and 26% of respondents (employees) reply were agree on that staff are usually trained on causes and measures to reduce customers defaulting on loans; 10% of respondents (employees) reply were neutral, 15% of respondents (employees) reply were disagree and 15% of respondents (employees) reply were strongly disagree on that staff are usually trained on causes and measures to reduce customers defaulting on loans

From the above table 4.22, 26% of respondents (employees) reply were strongly agree and 41% of respondents (employees) reply were agree on that staff always adhere to the approved credit policies and procedures; 17% of respondents (employees) reply were neutral, 8% of respondents (employees) reply were disagree on that staff always adhere to the approved credit policies and procedures and 8% of respondents (employees) reply were strongly disagree on that staff always adhere to the approved credit policies and procedures.

From the above table 4.22, 31% of respondents (employees) reply were strongly agree and 41% of respondents (employees) reply were agree on that the credit staffs of the bank are always committed and honest in all their actions; 10% of respondents (employees) reply were neutral on that the credit staffs of the bank are always committed and honest in all their actions and 13% of respondents (employees) reply were disagree, and 5% of respondents (employees) reply were

strongly disagree on that the credit staffs of the bank are always committed and honest in all their actions.

4.13 Summary of Empirical Analysis

Educational level of borrowers was found to influence loan repayment performance negatively and significantly at 5% significance level. Based on the coefficient of regression table 4.19, the results in table show that educational level of borrowers has a B coefficient of -1.267 and p-value of .024. Holding other explanatory variables constant educational level of borrowers was found to have a statistically significant and negative association with successful loan repayment performance. This result does agree with study made by (Godquin, 2004) but inconsistent with the findings of Adugna (2019).

Loan Supervision and advisory visits have B coefficient of -1.028 and p-value of 0.041. Holding other explanatory variables constant Loan Supervision and advisory visits was found to have a statistically significant association with loan repayment performance and negative association with loan default rate. Therefore, the alternative Hypothesis which says there is significant and positive relationship between Loan Supervision and advisory visits and successful loan repayment performance is accepted. 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.

Income from other sources is not statistically significant. The regression coefficient analyses in table 4.19 shows that Income from other sources have an un-standardized B coefficient of .289 and p-value of .539. Marital status was not found to have a statistically significant and positive association with loan repayment performance. Therefore, the alternative Hypothesis which says there is significant and positive relationship between Income from other sources and successful loan repayment performance is not accepted. This finding is supported by (Abafita, 2003) who have discussed on Microfinance and loan repayment performance: a case study on oromia saving and credit institutions in kuyu.

Marital status: Marital status is not statistically significant. The regression coefficient analyses in table 4.19 shows that Income from other sources have an un-standardized B coefficient of $-.684$ and p-value of $.176$. Marital status was not found to have a statistically significant and negative association with loan repayment performance. Therefore, the alternative Hypothesis which says there is significant and positive relationship between marital status and successful loan repayment performance is not accepted. This finding is supported by (Abafita, 2003) who have discussed on Microfinance and loan repayment performance: a case study on oromia saving and credit institutions in kuyu.

Saving Culture also was found to influence loan repayment performance negatively and significantly at 5% significance level. Based on the coefficient of regression table 4.29, the results in table show that saving culture has a B coefficient of -1.181 and p-value of $.021$. Holding other explanatory variables constant saving culture was found to have a statistically significant and negative association with successful loan repayment performance. This result does agree with study made by Mihretu (2022).

Loan diversion is not statistically significant. The regression coefficient analyses in table 4.29 shows that loan diversion have an un-standardized B coefficient of $-.358$ and p-value of 0.452 . Loan diversion was not found to have a statistically significant and negative association with loan repayment performance. Therefore, the alternative Hypothesis which says there is significant and positive relationship between loans follow up and successful loan repayment performance is not accepted. This finding is supported by Mihretu (2022) who have discussed factors that are affecting loan repayment performances of commercial banks evidence from Zemen bank in Ethiopia.

Increase in Interest rate has statistically significant and negatively determine successful loan repayment. The table 4.2 shows that interest rate have an un-standardized B coefficient of -1.166 and p value of 0.016 . This negative relationship shows the positive relationship between loan repayment performance and interest rate. 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. et al. (2008) in Nigeria, who examined the determinants of loan repayment performance among women 's self-help groups.

Repayment period has statistically significant and positive determine successful loan repayment. Table 4.19 shows that loan repayment period have an un-standardized B coefficient of -1.468 and p-value of 0.005. Holding other explanatory variables constant repayment period was found to have a statically significant and negative association with loan determinants of successful loan repayment performance: 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.

Loan follow up are not statistically significant. When we see the result of regression coefficient analysis in table 4.29 shows that loan follow up have an un-standardized B coefficient of -0.70 and p-value of 0.877. Loan follow up was not found to have a statistically significant and negative association with loan repayment performance. Therefore, the alternative Hypothesis which says there is significant and positive relationship between loans follow up and successful loan repayment performance is not accepted. This finding is supported by Mihretu (2022) who have discussed factors that are affecting loan repayment performances of commercial banks evidence from Zemen bank in Ethiopia.

Loan processing times have and B coefficient of -2.029 and p-value of 0.001. Holding other explanatory variables constant loan processing period was found to have a statistically significant positive association with loan repayment performance and negative association with loan default rate. Therefore, the alternative Hypothesis which says there is significant and positive relationship between loan processing period and successful loan repayment performance is accepted. 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.

Collateral has statistically significant and negatively determine successful loan repayment. Based on the coefficient of regression table 4.19, the results in table show that collateral has a B coefficient of -1.202 and p-value of .018. Holding other explanatory variables constant loan size was found to have a statistically significant and negative association with successful loan repayment performance. This finding is consistent with the study carried out by Philippe Aghion. (2004) on credit constraints and the cyclicity of R& D investment: evidence from France.

Loan size: loan size also was found to influence loan repayment performance negatively and significantly at 5% significance level. Based on the coefficient of regression table 4.19, the results in table show that collateral has a B coefficient of -1.964 and p-value of .000. Holding other explanatory variables constant loan size was found to have a statistically significant and negative association with successful loan repayment performance. This result does agree with study made by (Godquin, 2004) but inconsistent with the findings of Adugna (2019).

Table 4. 23 Classification

Observed			Predicted		
			What is your loan status		Percentage Correct
			Default	Non-default	
Step 0	Loan repayment performance/status/	Default		64	.0
		Non-default		134	100
	Overall Percentage				67.7
A. Constant is included in the model.					
b. The cut value is .500					

Sources: Compiled from STATA output survey data, 2023

4.14. Empirical Analysis

4.14.1. Binary Logistic Regression Model

Taking loan repayment performance as a dependent variable has high correlation with other independent variables. According to Chandon (2003) for a high degree of correlation, which

leads to better estimate and prediction, the coefficient of estimation R^2 must have a high value. In this case, as mentioned in below table 4.23 provide the correlation coefficient, which indicated the strength of the relationship between the combination of the independent variables in the model and the dependent variables.

4.14.2. Assumptions of Logistic Regression

The logistic regression model is not test free. For the efficient use of logistic regression, the following assumptions should have considered.

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

Binary logistic regression analysis is used to estimate the probability that one of the two events occurs i.e. default or non-default by the borrowers. To construct the model, best subset of metrics namely: level of education, marital status, income from other sources, loan supervision, loan processing time, saving culture, loan follow-up, collateral, Interest rate, loan diversion, loan repayment period, loan size (12) are taken as the independent variables to be regressed against Loan repayment status. A summary of the binary logistic regression output is explained in the following tables.

Binary logistic regression model results revealed that borrower’s loan repayment performance affected by the interaction of different borrower’s factors, lenders related factors, loan factors and socio-economic related factors.

4.14.4. Multi col-linearity test for Binary Logit

We say that there is multicollinearity problem in an equation when there is correlation between variables employed in the regression model (when the assumption that $cov(x_1, x_2) = 0$ is violated). That is the existence of a ‘‘perfect’’ or exact linear relationship among some or all explanatory variables of a regression model (Gujarati, 1995). The inter correlation between the two variables can be measured by the partial correlation coefficient between one variable with another variable. The decision rule for contingency coefficient state that when its value approaches 1, there is a problem of association between the discrete variable, i.e. the value of contingency coefficients ranges between 0 and 1, with zero indicating no association between the variables and the values close to 1, indicating a high degree of association. Therefore, in order to check the existence of multi-collinearity among 12 independent variables correlation coefficients among variable were calculated and presented in matrix as shown in the following table (**see appendix**)

4.14.4. Measure of goodness of fit in the logistic regression model

The key objective of this aspect of the study is to test the factor affecting loan repayment performance of commercial banks evidence from Addis international bank.

Table 4. 24 Hosmer and Lemeshow Test

Step	Chi-square	Df	Sig.
1	2.691	8	.952

Source: own survey data computed from the field 2024

As presented on above table the chi-square value for the Hosmer-Lemeshaw (1980) test is 2.691 with a significant level of 0.952. This value is larger than 0.05, therefore indicating support for the model. Hence, we reject the null and conclude that the model fit. Here poor fit indicated by a significant value less than 0.05. Therefore, to support a model the value must be greater than 0.05 (Julie, P, 2007).

Table 4. 25 Variables in the Equation

Variables in the Equation							
		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 0	Constant	0.739	.152	23.651	1	.000	2.094

Source: own survey data computed from the field 2024

Table 4. 26 Omnibus Tests of Model Coefficients

Omnibus Tests of Model Coefficients				
		Chi-square	df	Sig.
Step 1	Step	90.854	12	.000
	Block	90.854	12	.000
	Model	90.854	12	.000

Source: own survey data computed from the field 2024

Omnibus test of model coefficient: gives an overall indication of how well the model performs. The value given in the sig. column is the probability of obtaining the chi-square statistic given that the null hypothesis is true. In other words, this is the probability of obtaining this chi-square statistic (90.854) if there is in fact no effect of the independent variables, taken together, on the dependent variable. This is, of course, the p-value, which compared to a critical value, perhaps .05 or 01 to determine if the overall model is statistically significant. In this case, the model is statistically significant because the p-value is less than five percent.

Table 4. 27 Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	158.342 ^a	.368	.514

Source: own survey data computed from the field 2024

Model Summary gives us another piece of information about the usefulness of the model. The Cox and Snell R square and the Nagelkerke R square values provide an indication of the amount of variation in the dependent variable explained by the model (from a minimum value of zero to

a maximum of approximately Julie, (2007). Table 4.27 provides the Pseudo R square statistics. There are two measures, Cox & Snell and Nagelkerke. In this case Cox & Snell is 0.368, and Nagelkerke is 0.514. The Cox& Snell R square indicate that 36.8% of the variation in a loan defaulter or non-defaulter could be explained by variables such as income from other sources, employment status, spouse income source, interest rate, inflation rate and loan utilization.

4.14.3 Binary Logistic Regression Results

The logistic regression model output of the variables included in this study presented as follows. The variable in the equation table gives information about the contribution or importance of each of a models predictor variable. The test that used here known as the Wald test and the value of the statistics for each predictor in the column labelled Wald. Value less than 0.05 in the sig. column are the variables that contribute significantly to the predictive ability of the model (Julie, 2007).

Table 4. 28 Variables in the Equation

	B	S.E.	Wald	Df	Sig.	Exp(B)
EDULEV	-1.267	.561	5.100	1	.024*	.282
MARIST	.289	.471	.377	1	.539	1.336
LSU	-1.028	.502	4.193	1	.041*	.358
OTHERSOU	-.684	.505	1.835	1	.176	.505
SAVCUL	-1.181	.512	5.310	1	.021*	.307
LOANDIV	-.358	.478	0.585	1	.452	.699
LOANFOLL	-.070	.454	0.024	1	.877	.932
LOANPT	-2.029	.584	12.076	1	.001*	.131
COLLAT	-1.202	.508	5.605	1	.018*	.300
REPAYPER	-1.468	.520	7.957	1	.005*	.230
IR	-1.166	.485	5.768	1	.016*	.312
LOANSIZ	-1.964	.534	13.510	1	.000*	.140
Constant	8.420	1.434	34.484	1	.000	4535.259

*Source:
own
survey
data
computed
from*

the field (2024)

B=regression coefficient, Exp (B) = odds ratio, Sig. = significance, S.E. = Standard error, * indicate that the coefficients are statistically significant at five percent level respectively. Wald statistic is the ratio of the square of the regression coefficient to the square of the standard error of the coefficient and asymptotically distributed as a chi-square distribution. The reverse is true when Wald statistic is located within the interval. In this model, Wald statistic test used to assess the significance of an individual predictor. Although several statistical packages report the Wald statistic to assess the contribution of individual predictors, the Wald statistic has limitations. When the regression coefficient is large, the standard error of the regression coefficient also tends to be large increasing the probability of type-II error. The Wald statistic also tends to be biased when data are sparse. B: This is the coefficient for the constant (also called the “intercept”) and the independent variables of the model. In binomial logistic regression, the regression coefficients represent the change in the logit for each unit change in the predictor. Given that the logit is not intuitive, focus is given for a predictor's effect on the exponential function of the regression coefficient – the odds ratio. S.E.: This is the standard error around the coefficient for the constant. Sig.: This is the chi-square test that determine whether the association between independent variable and dependent variable is statistically significant by comparing the p-value (sometimes called pro-value) of independent variable with the chosen significance level. The association is statistically significant and null hypothesis rejected when the p-value (value listed in the column called “Sig.”) is smaller than or equals to the specified significant level or .05. Whereas, when p-value listed in the sig. column is greater than the specified significance level, the association between the independent variable and dependent variable is statistically insignificant. Exp (B): This is the exponentiation of the B coefficient, which is an odds ratio. This odds ratio is easier to interpret than the coefficient. It is used to interpret the relation between the independent variables and the probability that the dependent variable. The odds in favor of an event occurring is defined as the probability the event will occur divided by the probability the event will not occur.

4.15 Discussion on Significant Explanatory Variables

From the total of twelve independent variables to influence the loan repayment status of borrowers, eight were found statistically significant. The maximum likelihood estimates of the

logistic regression model show that Educational level, repayment period, interest rate, loan size, saving culture, loan processing time and collateral were important factors influencing loan repayment performance in the study (statistically significant variables). In this case, the effects of the variables listed under the respondents' factors interpreted based on the sign of each independent variable.

Educational level: The results from binomial logistic regression model indicate negative sign for education level variable (β of -1.267) which implies negative association between education level and loan repayment performance of borrowers. This result shows that as level of education increases, borrower's ability to access, evaluate, and understand customer handling, get high and default rate decrease. Since the Sig., statistic or p-value (.024) is smaller than the chosen significance level (0.05 or 5 percent). This finding is similar with result of Fikirte, (2011) and (Mukono, 2015).

Therefore, the null hypothesis rejected and the alternative hypothesis accepted.

Loan Supervision (LSU):

The result of odd ratio shown that loan supervision by bank employees has negative and significant influence on loan repayment status at 5% significant level. The possible explanation is that the odds ratio favoring loan repayment status is decreased by a factor of 0.041% and borrowers whose business area are visited by bank employees were more likely to repay their loans (Mubarik, 2020)

Interest rate (IR):

The result of odd ratio shows that this variable was found to have a negative and significant impact on the loan repayment status at 5% significance level. The negative sign implies that in case of interest rate, the odds ratio favoring loan repayment status is decreased and interest rate was also found as essential and significant determinant of loan repayment rate negatively. The logistic regression shows that as the interest influences the probability of loan repayment status negatively Mihretu, (2022).

Loan size: loan size also was found to influence loan repayment performance negatively and significantly at 5% significance level. This implies that the amount of loan exceed the projects

actual needed, it will be more of a burden than help, thereby undermining repayment performance. It may also encourage borrowers to divert the loan to other purposes, increasing credit risk and adversely affect repayment performance. If amount of loan is less than the project needed, the borrowers couldn't achieve what they want to do. This result does agree with study made by Godquin, (2004) but inconsistent with the findings of Adugna (2019)

Repayment Period: The results of the logit model shows that variable REP (year of repayment) affects the loan repayment performance negatively and significant at 5 percent level of probability. A borrower needs long term loan repayment period even though it depends on economic life and cash flow of the project considered. As it's expected if the borrower gets longer repayment period they can afford to pay responsible amount without distress. Hence borrower that get long repayment period will pay as per schedule. This result supported by the result of Jemal (2003) and Shariff (2004)

Saving culture: The results of the logit model shows that variable SAVCUL (saving culture) affects the loan repayment performance negatively and significant at 5 percent level of probability. A lender institution needs a resource collected from borrowers for minimizing liquidity or shortage of cash. As it's expected if the borrower saves money in the bank that borrows the saving culture developed and resource facilitated easily. This result does agree with study made by Mihretu (2022).

Collateral (COLLAT):

The result of odd ratio shows that this variable was found to have a negative and significant impact on the loan repayment status at 5% significance level. The logistic regression shows that collateral ensures good behavior on the part of borrowers, given the existence of a credible threat. This result agreed with the results of the study conducted by Mihretu (2022).

Loan processing time: The result of odd ratio shows that this variable was found to have a negative and significant impact on the loan repayment status at 5% significance level. The logistic regression shows that as the loan processing time influences the probability of loan repayment status negatively (Mubarik, 2020)

Table 4. 29 summary of Hypotheses Test Result

No	Description of the Hypothesis	Expected Outcome	Actual outcome	Remark
H1	Educational level of borrowers' vs. loan repayment performance	Positive & Significant	Negative & Significant	Educational level of borrowers affected Loan repayment performance negatively that is as educational level of borrowers increased loan default rate decreased
H2	Repayment period vs. loan repayment performance	Positive & Significant	Negative & Significant	Repayment period affected Loan repayment performance negatively that is as the repayment period for the loan is short the borrower faced difficulties to pay the loan and default rate increased
H3	Interest rate vs. loan repayment performance	Negative & Significant	Negative & Significant	Interest rate affected Loan repayment performance negatively that is as interest rate for loan is high the capability of paying their loan will decreased.
H4	Loan diversion vs. loan repayment performance	Negative & Significant	Negative & Insignificant	Loan diversion has little impact or no significant impact on loan repayment performance.
H5	Income from other sources vs. loan repayment	Positive & Significant	Negative & Insignificant	Income from other sources has little impact or no significant impact on loan repayment performance.

	performance			
H6	Loan supervision vs. loan repayment performance	Positive & Significant	Negative & Significant	Loan supervision affected Loan repayment performance negatively that is as the bank employees supervised the borrowers activity the loan default rate would be decreased
H7	Loan follow-up vs. loan repayment performance	Positive & Significant	Negative & Insignificant	Loan follow-up has little effect or no significant impact on loan repayment performance.
H8	Saving culture vs. loan repayment performance	Positive & Significant	Negative & Significant	Saving culture affected Loan repayment performance negatively that is as the saving culture of the company increased loan default rate decreased
H9	Loan size vs. loan repayment performance	Positive & Significant	Negative & Significant	Loan size affected Loan repayment performance negatively that is as the size of the loan increased the probability of loan fully paid decreased or loan default rate decreased
H10	Loan processing time vs. loan repayment performance	Positive & Significant	Negative & Significant	Loan processing time affected Loan repayment performance negatively that is as Loan processing time is shortening loan repayment performance will be good.
H11	Marital status	Positive &	Positive &	Marital status has no significant

	vs. loan repayment performance	Significant	Insignificant	impact on loan repayment performance.
H12	Collateral vs. loan repayment performance	Positive & Significant	Negative & Significant	Collateral affected Loan repayment performance negatively that is as loans are pledged by sufficient collateral loan default rate decreased

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDES

5.1 Summary of findings

The main objective of this study is to investigate factors that affect loan repayment performance of commercial bank of Ethiopia in case of Addis International Bank S.C. Specifically, the paper is intended to evaluate the effect of borrowers or demographic, institutional and loan factors. In this study primary data sources were mostly used to analyze the factors that affect loan repayment performance of Addis international bank. To this end, a binary logit model was adopted to determine as to whether the several explanatory variables, as hypothesized in the paper, have much to do with the repayment performance of housing finance. Data and information for the study were collected from 201 respondents (borrower) and 39 respondents (employees) of Addis International Bank Addis International Bank S.C. The study resulted that from the total of 201 respondents (borrowers, 134 (64%) of respondents (borrowers) were non-defaulters, whereas the rest 64 (32%) were defaulters.

According to the chi-square test and p-value, the analysis of the study shown that the independent/explanatory variables, which were hypothesized to determine the factors that affect loan repayment performance eight were statistically significant in explaining the loan performance and four were not significant. Educational level, repayment period, loan supervision, interest rate, loan size, saving culture, loan processing time and collateral had significant impact on loan repayment performance. In contrast, the remaining other four variables which is other source of income, loan follow up, marital status and loan diversion were less powerful and had no significant impact on loan repayment performance.

5.2 Conclusion

Based on the findings it can be concluded that Educational level, repayment period, loan supervision, interest rate, loan size, saving culture, loan processing time and collateral has significant impact on repayment performance; which means any increase or decrease on the value of these variables leads to an increase or decrease the loan repayment performance. All variables except marital status had negative relationship with loan repayment performance. Many of the variables are interrelated and interdependent. That means the existence of one variable

affect the other variables both positively or negatively. As a result, the interdependence of most of the variables leads the bank in to success or failure. If they are positively interrelated, the variables may lead the bank into success and if they are negatively interrelated, they will affect the bank success adversely.

The default rate decreases as the level of education increases, with the illiterates being the highest defaulters and non-defaulters were the borrowers who have well educated. Borrowers who have marriage have low default rate than those unmarried. Marital status had statistically insignificant at 5% significance level and had positive influence on the successful loan repayment performance. Female borrowers have better repayment performance than male. Interest rate had negative and statistically significant at 5% significance level related to Loan repayment performance. This result revealed that interest rate was also found as essential and significant determinant of loan repayment rate negatively. Loan supervision was negatively and statistically significant at 5% significance level related to loan repayment performance. This result shown that borrowers whose business area is visited by bank employees more likely to repay their loans than those business areas are not visited. Another variable is income from other source, which had statistically insignificant at 5% significance level and had negative influence on the successful loan repayment performance. Loan diversion the loan diversion statuses of borrowers are insignificant and negatively related to loan repayment rate. The negative sign implies that the use of diverted funds for less or non-income generating purposes. Follow-up affects the loan repayment performance negatively but statistically insignificant. Borrowers those who get follow-up showed good performance to settle their loan because follow-up may solve the problem of diverting the loan for other purpose and encourages the members to make the full effort required their investment projects to be successful. Repayment period: The repayment period a loan is significant and negatively affects loan repayment performance of borrowers. This result indicates loan repayment period was unsuitable. It expected that borrowers, who find the repayment period suitable, perform better. From this study monthly installment period are not the same with revenue generation from activities. This implies that suitable installment period have negative related with loan repayment performance. Loan size, saving culture, loan processing time and collateral affects the loan repayment performance negatively and statistically significant.

5.3 Recommendations

After analyzing result obtained from responses on questionnaires gathered from the borrowers and bank employees and comparing with the theoretical framework in various literatures, the following recommendations are made by researcher for improving the loan repayment performance.

The Marital status of the borrowers was not significant to influence repayment performance; the study implied that borrowers who are married had better repayment performance than those are single. Therefore, the bank may exert its effort on identifying the problem of single borrowers rather than excluding them from the service.

Borrowers whose business area and its collateral pledged either stored inventories or other fixed assets visited by bank employees are more helpful for borrowers to repay their loan on time. Loan supervision had negatively correlated with Loan repayment performance. Therefore, the researcher recommended that the banks employees should visit and give advice for borrowers after loan approved.

Interest rate had negatively correlated with Loan repayment performance. Interest rate of housing finance is very higher; it is may be due to operating cost. In order to reduce operational cost as well as to reduce the interest rate, the researchers suggest application of cost effective and modern technologies, which support the bank to reduce different costs and charge proper interest rate.

Loan diversion was negatively correlated with Loan repayment performance. This means, diverting loan into non-income generating activities increases default rate. Therefore, it is recommended that the bank should give attention to continuous follow-up to support the borrowers by working with different concerned bodies. Therefore, the Bank may improve its loan processing system by putting in place an effective monitoring and evaluations system.

The bank may provide sufficient amount of loan size requested to the intended purpose, through a detailed analysis and based on current market situation. Because in case of insufficiency in the loan amount sanctioned, the borrower tends to divert the fund and borrow the deficit fund at a higher interest rate from money lenders which cause default.

Conducting best business visits has also a direct bearing on loan repayment performance. In other words, implementing effective and efficient follow-up system and practices should be considered as a major part of credit activity because a borrower who gets robust and continuous information and technical advices from the Bank is more likely to be successful. Therefore, the bank may develop a strong credit assessment and follow up to facilitate the control of default status of Loans and improve its service delivery, provide loan advisory service before and after the Loan to the borrowers to create awareness in the mind of the borrower and also after extending the loan, the bank should follow the borrower how they use their fund. And also give advice about the work and consult them how to use their fund properly to improve the loan collection performance.

Payback period has a significant effect on loan repayment performance of borrowers. Unsuitability of loan repayment period for borrowers was found to significantly increase the probability of default rate. Therefore, the institution considering problems and has to be arranging special payback schedules depending on the time suitable for them to generate income from activity operating by loan. It will reduce default rate. Borrowers should use a mechanism of saving money and actively done on investing activity to generate more income from activity financed by loan and repaid their loan within specified period to sustainability of both borrowers and lenders.

Finally, the researcher recommended that the bank may consider the significant variables such as Educational level, repayment period, loan supervision, interest rate, loan size, saving culture, loan processing time and collateral to minimize loan default.

5.4 Implication for Future Researches

The study emphasized on the factors effecting loan repayment performance of borrowers of Addis international bank, specifically, Addis Ababa city; The sample was drawn from only twenty five branch banks, thus this study is limited in town branch banks for this study. Therefore, future researcher can examine about loan repayment performance of borrowers by taking other variables and on more number of branch banks for the sake of generalizing the results of the study.

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Appendix



Addis Ababa University

College of business and economics

Department of accounting and finance

Questionnaires for borrowers

Dear Sir/Madam

My name is Wube Tsige I am a postgraduate student at Addis Ababa university department of accounting and finance. I am carrying out a research on “Factors that affect loan repayment performance of commercial banks of Ethiopia evidence from Addis International Bank S.C” Which is the requirements for the award of a master’s degree in Accounting and Finance I am requesting your assistance to fill the attached questionnaires. Your response to this Questionnaire will serve as source of information to the research paper to be done for thesis purpose. Any response you provide here is strictly confidential and will be used exclusively for the research purpose. Therefore, you are very important in determining the success of the study with real vision, clear feedback and timely responses. You are therefore kindly requested to extend your cooperation by providing relevant information and completing the following questionnaires prepared for this purpose.

If you have any queries concerning the questionnaire, please contact me:

Name: Wube Tsige

Phone Number: +251922166629

Email: Wubetsige@gmail.com

Notice:

- No need of writing your name.

- Make tick (✓) for questions that have an alternative.

- Please write brief answer for these questions that have no choice.

Thank you for your cooperation!!!

Part I Part I. Demographic Characteristics of Borrowers

Please complete this section by ticking the applicable box

1. Sex

1. Male 2. Female

2. Age 1. 21-30 2. 31-40 3. 41-55 4. above 55

3. Level of education

1. Illiterate 2. Literate.

4. If you are Literate where you are grouped

1. Illiterate 2. Grade 1-8 3. Grade 9-12 4. Diploma 5. above diploma

5. Marital status

Single 2. Married

6. Family size

1. 1-3 2. 4-5 3. 6-10 4. above 10

7. How many dependent family members in your family?

1. 0-2 2. 3-4 3. 5-10 4. above 10

8. Do you have other sources of income in the household?

1. Yes 2. No

9. What is/are your sources of income in the household?

1. from one business
2. from additional (more) business
3. from wife/husband salary
4. from other family member salary
5. Others _____

Part II Loan characteristics

1. Do you think the amount of money you borrow from Addis International bank is enough for the intended purpose? 1. Yes 2 No

borrow from Addis International bank S.C?

2. How much money do you borrow from Addis International bank S.C?

1. Less than 500,000

2. 500, 000-5000, 000

3. 5, 000,000-10,000,000

4. Greater than 10,000,000

3. What type of loan do you borrow from Addis international bank S.C?

1 Working capital

2. Fixed investment

3. Consumer loan (House or Vehicle)

4. Other _____

4. Do you save money in Addis international bank?

1. Yes 2.No

5. If your answer for Q no 4 is yes, for what purpose do you save?

1. For expand business

2. for personal needs

3. for consumption

4. for emergency

5. for repayment

6. Other

6. Does loan Officers make follow up to ensure the loan you borrowed is utilized for the intended purpose only? 1. Yes 2 No

7. How many times in a year your business area was visited by bank loan officer for follow-up?

1. Once a Month

2. Once a year

3. Twice times a year

4. Other_____

8. Do you think follow up of loan officers to your compound help you to pay your repayment on time? 1. Yes 2. No

9. If your answer is yes for q no 8 how?

1. It helps me to remember the repayment date
 2. It helps me to be ready before repayment period reached
 3. It helps me not to divert the loan
 4. Others _____
10. would you diversify the money you borrowed for other purpose?
1. Yes
 - 2.No
11. If yes what is the reasons for loan diversion (non-intended purposes)?
1. Business plan problem
 - 2.Unexpected business situations
 3. Other _____
-
12. Do you think the time taken for disbursements of loan is a shortest possible time?
1. Yes
 - 2.No
13. In what extent you satisfied with the time taken to process your loan?
1. Dissatisfied
 2. Neutral
 3. Satisfied
14. Do you have held collateral for the money you borrowed?
1. Yes
 2. No
15. If your answers for question no. 14 are yes what type of collateral was given for your loan?
1. Immovable collateral
 - 2.Movable collateral
 3. Cash
 - 4.Personal Guarantee
 5. Others
16. Is the repayment scheme set by Addis International bank S.C Suitable?
1. Yes
 2. No
17. If your answer for question No 16 is no what are the reasons
1. The starting time to repay is too early
 2. The repayment period is short
 3. The amount of repayment is too much
 4. Others_____
18. How do you pay your loan?
1. Monthly
 2. Quarterly
 3. Semi- annually
 4. Yearly
 5. Other _____

19. Interest rate for credit set by Addis International bank is:

1. Fair 2. not fair

20. If your answer for question No 19 is not fair, does it have an impact on your loan repayment?

1. Yes 2. no

21. Do you borrow from other sources for various purposes (consumption, emergency...)?

- 1 Yes 1 No

22. If your answer for question No 21, from where do you borrow?

1. Borrow from other banks
2. Borrow from family or friends
3. Borrow from informal money lenders
4. Borrow from micro finance institutions and saving and credit associations

23. Which loan do you repaid first and why?

1. Borrow from Addis International banks
2. Borrow from other banks
3. Borrow from family or friends
4. Borrow from informal money lenders
5. Borrow from micro finance institutions and saving and credit associations

24. Do you think that the presence of other loans have an impact on your loan repayment

- Yes 2.No

Part IV Questions related to loan status

25. What is your loan status?

1. Default 2. Non default

26. What happens if someone does not repay the loan (default)?

1. Loss of personal asset
2. Loss of social relationship
3. losing second time loan/repeated loan/
4. Others _____

27. Please rank the reasons for Loan Default

No.	Reasons for loan Default	Rank
-----	--------------------------	------

1	Low supervision/follow-up/ by the loan officer of your bank	
2	Weak borrowers history	
3	Improper utilization of loan	
4	Have outstanding loan from other financial institution	
5	Interest rate	
6	Due to economy fluctuation	

28. The listed below are the major factors affecting loan repayment performance of commercial bank of Ethiopia? For each of the following, please tick (√) where applicable the extent to which you agree scale.

Factors	1	2	3	4	5
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Educational level of borrowers					
Repayment Period					
Interest rate					
Loan Diversion					
income from other sources					
Loan supervision					
Saving culture					
Loan follow up					

Loan size					
Collateral pledged					
Loan processing time					
Marital status					

Part V Guiding Questions for Focus Group Discussion

Date of interview: -----

Interview No: -----

Name of interviewee: -----

Description of the interview: -----

Do you get the loan properly please describe it?

Did you use the entire loan for the intended purpose?

Do you think the loan repayment period and interest for the loan you is fair ?

Do you paid your loan properly please describe?

Do you face a challenge to pay your loan, if it please describes it?

What do you think about the overall challenges for borrowers to repay their loans?

What is the overall opinions about Addis international bank S.C loan service?

Appendix



Addis Ababa University

College of business and economics

Department of accounting and finance

Questionnaires for employees

Dear Sir/Madam

My name is Wube Tsige I am a postgraduate student at Addis Ababa University department of Accounting and Finance undertaking a research on “Factors that affect loan repayment performance of commercial banks of Ethiopia evidence from Addis International Bank S.C” Which is the requirements for the award of a master’s degree in Accounting and Finance .I am therefore requesting your assistance to fill the attached questionnaires. Your response to this Questionnaire will serve as source of information to the research paper to be done for thesis purpose. Any response you provide here is strictly confidential and will be used exclusively for the research purpose. Your honesty in responding the right answer is vital for the research outcome to be reliable.

If you have any queries concerning the questionnaire, please contact me:

Name: Wube Tsige

Phone Number: +251922166629

Email: Wubetsige@gmail.com

Notice:

- No need of writing your name.
- Make tick (✓) for questions that have an alternative.
- Please write brief answer for these questions that have no choice.

Thank you for your cooperation!!!

Part I. Demographic Characteristics of Bank Employees

Please complete this section by ticking the applicable box

1. Sex

1. Male 2. Female

2. Age

1. 21-30 2. 31-40 3. 41-55 4. above 55

3. Level of education

1. Diploma 2. Degree 3. Master's Degree 4. others

4. Marital status

1. Single Married Divorced others

5. Position in your bank

1. Director Credit Department
2. Division/Branch/ manager
3. Senior Credit Analyst /follows up/ Officer
4. Loan officer

6. Year of service

1. Less than 1 year 2. 2-5 years 3. 6-10 Years 4. More than 10 years

Part II. Institutional related questions

1. It is very easy for customers to get loans in your organization

1. Yes 2. No

2. If your answer for question for Q no 1 is no what will be the challenge?

1. The bank decreases the value of collateral
2. Higher interest rate
3. The time takes to borrow is boring
4. Others

3 Is your organization sets credit policies and Procedures

1. Yes 2. No

4. If your answer in Q no 3 is yes how the institutions aware you the policies and procedures

1. through training
2. Personal efforts (reading)
3. Through training and personal effort

4. Other

5. Loan products have increased the organizational profitability levels

1. Yes 2. No

6. Collateral securities are required before the loan is granted.

1. Yes 2.No

7. What types of collateral you required to credit the loan

- 1. Immovable collateral
- 2.Movable collateral
- 3. Cash
- 4.Personal Guarantee
- 5. Others

8. Interest rate for credit set by Addis International bank is:

1. High 2. Low

9. If the interest rate is high do think that it will be a challenge for loan repayment

1. Yes 2.No

10. Please indicate your perception on employees of your bank

Statements		1	2	3	4	5
		Strongly disagree	disagree	Neutral	Agree	Strongly Agree
1	The credit staffs of the bank are always ethical in the execution of their duties					
2	There is always information flow concerning credit operations amongst staff					
3	Staff are usually trained on causes and measures to reduce customers defaulting on loans					
4	Staff always adhere to the approved credit policies and procedures					
5	The credit staffs of the bank are					

	always committed and honest in all their actions					
--	--	--	--	--	--	--

Part III Guiding Questions for Focus Group Discussion

Date of interview: -----

Interview No: -----

Name of interviewee: -----

Description of the interview: -----

Do you think the bank borrowers are happy with the amount of loan they borrowed?

Do you think the loan repayment period and interest rate of Addis International bank is suitable for borrowers?

Does your borrowers challenged to pay their loans if yes what will be the reason?

What Measures do you suggest to Control Loan Default?

What is your overall comment about loan facilities in Addis international bank?

አባሪ



አዲስ አበባ ዩኒቨርሲቲ
ቢዝነስ እና ኢኮኖሚክስ ኮሌጅ
የ ፋይናንስና ሂሳብ ክፍል

የተባዳሪ መጠይቆች

መጠይቁን ለሚሞሉ መላሾች፡-

ወቤ ፅን እባላለሁ የአዲስ አበባ ዩኒቨርሲቲ አካውንቲንግ እና ፋይናንስ ትምህርት ክፍል ተማሪ ነኝ። የዚህ መጠይቅ አላማ ካበአዲስ ኢንተርናሽናል ባንክ ኢ.ማ የብድር ክፍያ አመላለስ ላይ ተጽእኖ የሚያሳድሩ ምክንያቶችን ለመገምገም የተዘጋጀ ቃለመጠይቅ ነው ለዚህ መጠይቅ የሚሰጡት ምላሽ ለጥናቱ እንደ ምንጭ ሆኖ የሚያገለግል ሲሆን እርስዎ የሚሰጡት ማንኛውም መረጃ ለአካዳሚክ ዓላማ ብቻ እንጂ ለሌላ ነገር እንደማይውል አረጋገጥልዎታለሁ ። ለጥያቄዎቹ የሚሰጡት ምላሽ በሚሰጥር የተጠበቀ ነው ስለዚህ እርስዎ በእውነተኛ እይታ ፣ በግልጽ አስተያየት እና ወቅታዊ ምላሾች የጥናቱን ስኬት ለመወሰን በጣም ጠቃሚ ናቸው ። ስለሆነም አግባብነት ያላቸውን መረጃዎች በማቅረብ እና ለዚህ ዓላማ የተዘጋጁ የሚከተሉትን መጠይቆች በመሙላት ትብብርዎን በተቀናኝነት እንዲሞሉልኝ በትህትና እጠይቃለሁ።

መጠይቁን የሚመለከቱ ጥያቄዎች ካሉዎት እባክዎን ያነጋግሩኝ፡-

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ማሳሰቢያ፡- -

ስምዎን መጻፍ አያስፈልግም

አማራጭ ላሏቸው ጥያቄዎች የ(✓) ምልክት ያድርጉ

እባክዎን አማራጭ ለሌላቸው ጥያቄዎች አጭር መልስ ይጻፉ።

ለትብብርዎ እናመሰግናለን!!!

ክፍል 1. የተበዳሪዎች ስነ-ሕዝብ ባህሪያት

እባክዎ የሚመለከተውን ሳጥን ምልክት በማድረግ ይህንን ክፍል ይሙሉ

1. ያታ

- 1. ወንድ
- 2. ሴት

2. ዕድሜ

- 1. 21-30
- 2. 31-40
- 3. 41-55
- 4. ከ55 በላይ

3. የትምህርት ደረጃ

- 1. ያልተማረ
- 2. የተማረ

3. የትምህርት ደረጃዎ የተማረ ከሆነ በየትኛው ይመደባል ?

- 1. ያልተማረ
- 2. 1-8ኛ
- 3. 9-12ኛ ክፍል
- 4. ዲፕሎማ
- 5. ከዲፕሎማ በላይ

5. የጋብቻ ሁኔታ

- 1. ያገባ
- 2. ያላገባ
- 3. የተፋታ
- 4. ሌላ ይጥቀሱ _____

6. የቤተሰብ ብዛት

- 1. 1-3
- 2. 4-5
- 3. 6-10
- 4. ከ10 በላይ

7. በቤተሰብዎ ውስጥ ምን ያህል ጥገኛ የቤተሰብ አባላት አሉ?

- 1. 1-3
- 2. 4-5
- 3. 6-10
- 4. ከ10 በላይ

8. በቤተሰብዎ ውስጥ የገቢ ምንጭ አልዎት?

- 1. አዎ
- 2. አይ

9. በቤተሰብዎ ውስጥ የገቢ ምንጭችሁ ምንድን ነው?

- 1. ከአንድ ንግድ
- 2. ከሌላ (ተጨማሪ) ንግድ
- 3. ከባል / ሚስት / ወርሃዊ ደመወዝ
- 4. ከሌላ የቤተሰብ አባል ደመወዝ
- 5. ሌሎች _____

ክፍል II የብድር ባህሪያት

1. ከአዲስ ኢንተርናሽናል ባንክ የተበደሩት ብድር የፈለጉትን አላማ ለማስፈጸም በቂው ብለው ያምናሉ ? ? 1. አዎ

2. አይ

2. ከአዲስ ኢንተርናሽናል ባንክ አ.ማ ምን ያህል ብር ተበድረዋል

- 1. ከ500,000 በታች
- 2. 500,000-5000,000
- 3. 5,000,000-10,000,000
- 4. ከ10,000,000 በላይ

3. ከአዲስ ኢንተርናሽናል ባንክ አ.ማ የተበደሩት ብድር ምን ዓይነት ነው?

- 1. የሥራ ማስኬጃ
- 2. ለኢንቨስትመንት
- 3. ለቤት ወይም ለተሽከርካሪ መኪና
- 4. ለሌላ _____

4. በአዲስ ኢንተርናሽናል ባንክ ብር ይቆጥባሉ ?

- 1. አዎ
- 2. አይ

5. ለጥያቄ 3 መልስዎ አዎ ከሆነ፣ ለምንድን ነው የሚቆጥቡት?

- 1. ንግድን ለማስፋፋት
- 2. ለግል ጉዳይ
- 3. ለፍጆታ
- 4. ለአደጋ ጊዜ
- 5. ለክፍያ
- 6. ሌላ _____

6. የተበደሩትን ብድር ለተፈለገው አላማ ማዋልዎን ለማረጋገጥ የብድር ኃላፊዎች ክትትል ያደርጋሉ ?

- 1.አዎ
- 2.አይ

7.የንግድ አካባቢዎ ወይም የስራ ቦታዎ በዓመት ውስጥ ስንት ጊዜ በባንኩ የብድር ባለሙያዎች ይጎበኛል?

- 1. በወር አንድ ጊዜ
- 2. በዓመት ሁለት ጊዜ
- 3. በዓመት አንድ ጊዜ
- 4.ሌላ _____

8. የባንኩ የብድር ባለሙያዎች በስራ ቦታዎ ወይም የንግድ አካባቢዎ የሚያደርጉት ክትትል ክፍያዎን ለመክፈል የሚረዳዎት ይመስልዎታል?

- 1.አዎ
- 2.አይ

9.ለጥያቄ ቁ.8 መልስዎ አዎ ከሆነ እንዴት

- 1.የመክፈያ ጊዜ ሲደርስ ያስታውሱኛል
- 2.ቀድሜ እነድዝጋጅ ይጠቅመኛል
- 3.ብድሩን ለሌላ አላማ እንዳላውል ያደርገኛል
- 4.ሌላ _____

10.የተበደሩትን ብድር ከተበደሩበት አላማ ውጭ ለሌላ ነገር አውለውታል ?

- 1.አዎ
- 2.አይ

11.መልስዎ አዎ ከሆነ ለምን ከተበደሩበት አላማ ውጭ አዋሉት ?

- 1.የስራ እቅድ ችግር
- 2.ያልተጠበቀ የስራ አጋጣሚ
- 3.ሌላ _____

12.የጠየቁት ብድር በአጭር ጊዜ ውስጥ ተሰጥዎታል

- 1.አዎ
- 2.አይ

13. ብድሩን ለመበደር በሚወስደው ጊዜ እረከተዋል

- 1.አልረከውም
- 2.ገለልተኛ
- 3.እረከቻለሁ

14.ለተበደሩት ብድር ማስያዣ አስይዘዋል?

- 1.አዎ
- 2.አይ

15. ለጥያቄ ቁጥር 11 መልስዎ አዎ ከሆነ ብድሩን ለመበደር ምን አይነት መያዣ ያስፈልግዎታል?

- 1. የማይንቀሳቀስ ንብረት
- 2. የሚንንቀሳቀስ ንብረት
- 3.ጥሬ ገንዘብ
- 4. የደመዘተኛ ሰው ዋስትና
- 5. ሌሎች _____

16. በአዲስ ኢንተርኖርስ ባንክ አ.ማ የአከፋፈል ዘዴ ተመችቶታል?

- 1.አዎ
- 2.አይ

17. ለጥያቄ ቁጥር 16 መልስዎ አይ ከሆነ ምክንያቱ ምንድነው

- ሀ) የመጀመሪያ ክፍያ ለመክፈል ጊዜው በጣም ቅርብ መሆኑ
- ለ) የመክፈያ ጊዜው አጭር መሆኑ
- ሐ) የክፍያው መጠን በጣም ብዙ መሆኑ

መ) ሌሎች _____

18. ብድርዎን እንዴት ይከፍላሉ?

- 1. በየወሩ
- 2. በየሩብ አመት
- 3. በከፊል-ዓመት
- 4. በየአመቱ
- 5. ሌላ _____

19. አዲስ ኢንተርናሽናል ባንክ ያስቀመጠው የብድር ወላድ፡

- 1. ፍትሃዊ
- 2. ፍትሃዊ አይደለም

20. ለጥያቄ ቁጥር 19 የሰጡት መልስ ፍትሃዊ ካልሆነ በብድርዎ ክፍያ ላይ ተጽእኖ ይኖረዋል

- 1.አዎ
- 2. አይ

21.ከሌሎች ምንጮች ብድር ለተለያዩ ዓላማዎች (ፍጆታ, ድንገተኛ ...)ተበድረዋል ?

- 1.አዎ
- 2. አይ

22. ለጥያቄ ቁጥር የሰጡት ምላሽ አዎ ከሆነ፣ ከየት ነው የተበደሩት?

- 1. ከሌሎች ባንኮች
- 2. ከቤተሰብ ወይም ከጓደኞች
- 3. መደበኛ ካልሆኑ የገንዘብ አበዳሪዎች
- 4. ከማይክሮ ፋይናንስ ተቋማት እና ከቁጠባና ብድር ማህበራት
- 5. ሌሎች _____

23. ለጥያቄ ቁጥር 22 የሰጡት ምላሽ አዎ ከሆነ መጀመሪያ የትኛውን ብድር ይከፍላሉ እና ለምን?

- 1. ከአዲስ ኢንተርናሽናል የተበደርነውን
- 2. ከሌሎች ባንኮች የተበደርነውን
- 3. ከቤተሰብ ወይም ከጓደኞች የተበደርነውን
- 4. መደበኛ ካልሆኑ የገንዘብ አበዳሪዎች የተበደርነውን
- 5. ከማይክሮ ፋይናንስ ተቋማት እና ከቁጠባና ብድር ማህበራት የተበደርነውን

6.ሌሎች _____

24.ሌሎች ብድሮች መኖራቸው ብድርዎን ለመመለስ ተፅዕኖ ያሳድራል ብለው ያስባሉ

- 1.አዎ
- 2.አይ

ክፍል III የብድርዎ ሁኔታ

25. የብድርዎ ሁኔታ ምን ላይ ነው

- 1.አልከፈልኩም
- 2.ከፍያለሁ

26.አንድ ተበዳሪ ብድሩን ባይከፍል ምን ሊሆን ይችላል

- 1. ያስያዘው ንብረት ይወረስበታል
- 2. ማህበራዊ ግኑኝነቱን ያጣል
- 3. ሌላ ወይም ተጨማሪ ብድር መበደር አይችልም
- 4. ሌሎች _____

IV ከብድር አለመመለስ ጋር የተያያዙ ጥያቄዎች

27. ብድር ሳይመለስ የሚቀርበት ምክንያት ምን ሊሆን ይችላል ብለው ያስባሉ ደረጃ ስጧቸው

No.	ብድር የማይመለስበት ምክንያት	ደረጃ
1	በባንኩ የብድር ባለሙያዎች የሚደረግ ቁጥጥር አለመኖር	
2	የተበዳሪ ደካማ የብድር ታሪክ	
3	ተበዳሪዎች የተበደሩትን ብድር ያለአግባብ መጠቀማቸው	
4	ከሌሎች አበዳሪ ተቋማት ያልተመለሰ ብድር መኖሩ	
5	የባንኩ የብድር መጠን	
6	በምጣኔ ሀብት መዋገድ	

ክፍል III የብድር አመላለስ

28.ባንክ ላይ ባልዎት ልምድ ከታች ከተዘረዘሩት ምክንያቶች የትኞቹ ይበልጥ የብድር አመላለስ ላይ ተፅዕኖ ሊያሳድሩ ይችላሉ ብለው ያስባሉ ደረጃ ስጧቸው

ብብድር አመላለስ ላይ ተፅዕኖ ሊያሳድሩ የሚችሉ ምክንያቶች	ደረጃ
የተበዳሪዎች የትምህርት ደረጃ	
የብድር መከፈያ ጊዜ	
የወለድ መጠን	
የተለያዩ የብድር አይነት	
የተበዳሪ ሌላ የገቢ ምንጭ	
የብድር ቁጥጥር	
የቁጠባ ባህል	
የብድር ክትትል	
የብድር መጠን	
ማስያዣ	
ሌላ የገቢ ምንጭ	

የትዳር ሁኔታ	
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ክፍል V ለትኩረት ቡድን ውይይት መምሪያ ጥያቄዎች

የቃለ መጠይቅ ቀን -----

የቃለ መጠይቅ ቁጥር -----

የቃለ መጠይቅ ስም -----

የቃለ መጠይቅ መግለጫ -----

1. የብድር አገልግሎቱን በተገቢው ሁኔታ አግኝተዋል ቢገልፁ.
 2. በብድሩ የሚፍልጉትን ተግባር አከናውነዋል /የወሰዱት ብድር በቂ ነበርን /ቢገልፁ
 3. የወሰዱት ብድር የመመለሻ ጊዜ እና የወለድ መጠኑ ተመጣጣኝነው ብለው ያስባሉ
 4. የብድር ክፍያ ወቅቱን ጠብቀው እንደከፈሉ ቢገልፁ
 5. የብድሩን ክፍያ ለመፈፀም ተቸግረዋልን መልስ አዎ ከሆነ ክፍያውን ለመፈፀም ተግዳሮት የሆኑበዎትን ቢገልፁ
 6. በአጠቃላይ የብድር ክፍያውን ለመፈፀም ተግዳሮት ናቸው ብለው የሚሰጧቸውን ምክንያቶች ቢገልፁ
- ስለ አዲስ ኢንተርናሽናል ባንክ አክሲዮን ማህበር የብድር አገልግሎት ያለዎት አጠቃላይ አስተያየት

አባሪ



አዲስ አበባ ዩኒቨርሲቲ
ቢዝነስ እና ኢኮኖሚክስ ኮሌጅ
የ ፋይናንስና ሂሳብ ክፍል

የተባዳሪ መጠይቆች

መጠይቁን ለሚሞሉ መላሾች፡-

ዉቤ ፅጌ እባላለሁ አዲስ አበባ ዩኒቨርሲቲ የድህረ ምረቃ አካውንቲንግ እና ፋይናንስ ትምህርት ክፍል ተማሪ ነኝ። የዚህ መጠይቅ አላማ "በአዲስ ኢንተርናሽናል ባንክ አ.ማ የብድር ክፍያ አመለካከት ላይ ተጽእኖ የሚያሳድሩ ምክንያቶችን ለመገምገም የተዘጋጀ ቃለመጠይቅ ነው ለዚህ መጠይቅ የሚሰጡት ምላሽ ለጥናቱ እንደ ምንጭ ሆኖ የሚያገለግል ሲሆን እርስዎ የሚሰጡት ማንኛውም መረጃ ለአካዳሚክ ዓላማ ብቻ እንጂ ለሌላ ነገር እንደማይውል አረጋገጥልዎታለሁ ። ለጥያቄዎቹ የሚሰጡት ምላሽ በሚስጥር የተጠበቀ ነው ስለዚህ እርስዎ በእውነተኛ እይታ ፣ በግልጽ አስተያየት እና ወቅታዊ ምላሾች የጥናቱን ስኬት ለመወሰን በጣም ጠቃሚ ናቸው ። ስለሆነም አግባብነት ያላቸውን መረጃዎች በማቅረብ እና ለዚህ ዓላማ የተዘጋጁ የሚከተሉትን መጠይቆች በመሙላት ትብብርዎን በሐቀኝነት እንዲሞሉልኝ በትህትና እጠይቃለሁ። መጠይቁን የሚመለከቱ ጥያቄዎች ካሉዎት እባክዎን ያነጋግሩኝ፡-

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ማሳሰቢያ:- -

ስምዎን መጻፍ አያስፈልግም

አማራጭ ላሏቸው ጥያቄዎች የ(✓) ምልክት ያድርጉ

እባክዎን አማራጭ ለሌላቸው ጥያቄዎች አጭር መልስ ይጻፉ።

ለትብብርዎ እናመሰግናለን!!!

ክፍል I. የሰራተኞች ስነ-ሕዝብ ባህሪያት

እባክዎ የሚመለከተውን ሳጥን ምልክት በማድረግ ይህንን ክፍል ይሙሉ

1. ፆታ

- 1. ወንድ
- 2. ሴት

2. ዕድሜ

- 1. 21-30
- 2. 31-40
- 3. 41-55
- 4. ከ55 በላይ

3. የትምህርት ደረጃ

- 1. ዲፕሎማ
- 2. ዲግሪ
- 3. ማስተርስ
- 4. ሌላ ይጥቀሱ_____

4. የጋብቻ ሁኔታ

- 1. ያገባ
- 2. ያላገባ
- 3. የተፋታ
- 4. ሌላ ይጥቀሱ_____

5. በባንኩ ውስጥ ያለህ/ሽ የስራ መደብ

- 1. የክሬዲት ዲፓርትመንት ዳይሬክተር
- 2. ሥራ አስኪያጅ
- 3. ከፍተኛ የብድር ተንታኝ /ተከታታይ/ አፊሰር
- 4. የብድር ባለሙያ/አካውንታንት/

6. የአገልግሎት ዓመት (የስራ ልምድ)

- 1. ከ 1 ዓመት በታች
- 2. 6-10 ዓመታት
- 3. 2-5 ዓመታት
- 4. ከ 10 ዓመታት በላይ

ክፍል II. ተቋማዊ ተዛማጅ ጥያቄዎች

1 ከአዲስ ኢንተርናሽናል ባንክ ብድር ማግኘት ቀላል ነው ብለው ያስባሉ?

- 1. አዎ
- 2. አይ

2. ለጥያቄ ቁጥር 1 መልስዎ አይ ከሆነ ምክንያቱ ምን ሊሆን ይችላል?

- 1. የብድር ማስያዣ ግምት ዝቅተኛ መሆን
- 2. የወለድ መጠኑ ከፍተኛ መሆን
- 3. ብድር ለመበደር የሚወስደው ጊዜ አሰልፎ መሆን
- 4. ሌላ ካለ ይጥቀሱ _____

3. ድርጅትዎ የብድር ፖሊሲዎችንና እና መመሪያዎችን አዘጋጅቷል?

- 1. አዎ
- 2. አይ

4. በጥያቄ 3 ላይ የሰጡት መልስ አዎ ከሆነ ተቋማቱ ፖሊሲዎችንና እና መመሪያዎችን በምን አይነት መንገድ ያሳውቅዎታል?

- 1. በስልጠና
- 2. በግል ጥረት (በማንበብ)
- 3. በስልጠና እና በግል ጥረት
- 4. ሌላ _____

5. የብድር አገልግሎቶች የድርጅቱን ትርፋማነት ደረጃ ይጨምራል ብለው ያስባሉ?

- 1. አዎ
- 2. አይ

6. ብድር ከመስጠቱ በፊት የማስያዣ ዋስትናዎች ያስፈልጋሉ ?

- 1. አዎ
- 2. አይሆንም

7. ለጥያቄ ቁጥር 6 መልስዎ አዎ ከሆነ ብድሩን ለመበደር ምን አይነት መያዣ ያስፈልግዎታል?

- 1. የማይንቀሳቀስ ንብረት
- 2. የሚንንቀሳቀስ ንብረት
- 3. ጥሬ ገንዘብ
- 4. የደመወዝ ሰው ዋስትና
- 5. ሌሎች _____

8. በእርስዎ እይታ የአዲስ ኢንተርኔትናል ባንክ የብድር ወለድ እንዴት ያዩታል?

- 1. ከፍተኛ
- 2. መካከለኛ
- 3. ዝቅተኛ

9. የወለድ መጠኑ ከፍ ያለ ከሆነ የብድር ተጠቃሚዎች ብድሩን ለመመለስ ይቸገራሉ ብለው ያስባሉ?

- 1. አዎ
- 2. አይደለም

ክፍል III ከባንኩ የብድር ቁጥጥር ጋር የተያያዙ ጥያቄዎች

10. እባክዎ ስለ ባንኩ ስራተኞች ያለዎትን ግንዛቤ ያመልክቱ

መግለጫዎች		1	2	3	4	5
		በጣም አልሰማም	አልሰማም	ገለልተኛ	እስማማለሁ	በጣም እስማማለሁ
1	የባንኩ የብድር ስራተኞች ተግባራቸውን በሚፈጽሙበት ጊዜ ሁል ጊዜ ሥነ ምግባራዊ ናቸው					
2	በሠራተኞች መካከል የብድር ሥራዎችን በተመለከተ ሁልጊዜ የመረጃ ፍላጎት አለ።					
3	ተብዳሪዎች የብድር መክፈያ ጊዜያቸው እንዳያልፍ እና ክፍያውን ከ ሂሳብ ቁጥራቸው ለመቀነስ የባንኩ ስራተኞች ብቁና የሰለጠኑ ናቸው።					
4	ስራተኞች ሁልጊዜ ስራዎቻቸውን ሲሰሩ በብድር ፖሊሲዎች እና መመሪያዎች መሰረት					
5	የባንኩ የብድር ስራተኞች በሚሰሩት ስራ ሁል ጊዜ ቁርጠኛ እና ታማኝ ናቸው					

ክፍል IV ለትኩረት ቡድን ውይይት መምሪያ ጥያቄዎች

የቃለ መጠይቅ ቀን -----

የቃለ መጠይቅ ቁጥር -----

የቃለ መጠይቅ ስም -----

የቃለ መጠይቅ መግለጫ -----

1. ተብዳሪዎች በወሰዱት የብድር መጠን ደስተኞች ናቸው ቢገልፁ

2. የባንኩ የብድር የመመለሻ ጊዜ እና የወለድ መጠኑ ተመጣጣኝነው ብለው ያስባሉ

3. ተብዳሪዎች የብድር ክፍያ ለመፈፀም ይቸገራሉን መልስ አዎ ምክንያቱ ምንድን ነው ብለው ያስባሉ

4. በአጠቃላይ የብድር ክፍያውን ለመፈፀም ተግዳሮት ናቸው ብለው የሚሰቧቸውን ምክንያቶች ቢገልፁ

5. ስለ አዲስ ኢንተርናሽናል ባንክ አክሲዮን ማህበር የብድር አገልግሎት ያለዎት አጠቃላይ አስተያየት ምንድነው?

Appendix B Correlation matrix between independent variables

	LRP	EDUL	MS	L S	OSI	SC	LD	LF	LPT	COL	REPP	IR	LS
LRP	1												
EDUL	-.159	1											
MS	.015	.757	1										
LS	-.094	-.024	.415	1									
OSI	-.244	-.071	.118	.169	1								
SC	-.051	.074	.336	.218	.337	1							
LD	-.144	-.007	.029	.010	.084	.123	1						
LF	-.291	-.030	.045	-.248	-.016	-.055	-.159	1					
LPT	-.386	.036	-.137	-.023	-.041	-.055	-.046	.146	1				
COL	-.164	-.132	-.113	.005	.454	-.013	.077	.051	.124	1			
REPP	-.182	-.104	.186	.153	-.078	.032	-.025	-.123	-.126	.020	1		
IR	-.296	.171	.185	.016	.029	.022	.056	-.151	-.086	.096	.018	1	
LS	-.226	.008	-.124	.003	.117	.057	-.018	.014	-.117	.081	0.16	0.124	1