FACTORS AFFECTING LOAN REPAYMENT PERFORMANCES OF MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES:

(THE CASE OF WOLKITE TOWN, GURAGE Z ONE, SOUTH ETHIOPIA)

BY

ALI SHERIF AWOL

A THESES PEPAR SUBMITTED TO WOLKITE UNIVERSITY COLLEGES OF BUSSINESS AND ECONOMICS DEPARTMENT OF ACCOUNTING AND FINANCE IN PARTIAL FULFILLMENT OF THE REQUIRMENTS FOR THE DIGREE OF MASTER IN ACCOUNTING AND FINANCE

MAIN ADVISOR: MITIKU M., (ASST.PROF)

CO-ADVISOR: ANDARGACHEW H., (MSC)

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Factors affecting loan repayment performances of micro, small and medium-sized enterprises (The case of Wolkite Town Gurage Zone South Ethiopia*)*

By: **Ali Sherif Awol**

ID No. BEGE/024/12

Main Advisor: Mitiku M., (Asst.proff)

Co-Advisor: Andargachew H., (Msc)

MAY, 2022

Wolkite, Ethiopia

DECLARATION

I, declare that this thesis entitled: “Factors affecting loan repayment performance of micro small and medium-sized enterprises in wolkite town Adminstration*”* It is outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged.

To the best of my knowledge, this study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the degree of Masters of Accounting and finance.

By: ALI SHERIF AWOL

Signature.....

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Name of major advisor:	Signature	Date
Mitiku M. (Assit.Proff)	_____	_____ _____
Co advisor:	Signature	Date
Andargachewu H. (Msc)	_____	_____

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Lakech Estifanos (Msc)	_____	_____
Name of Internal Examiner	Signature	Date
Desta Yohanis (Msc)	_____	_____
Name of External examiner	Signature	Date
Dr. Kasahun Wolde	_____	_____

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Abstract

This study was aimed to examine factor affecting loan repayment performances of micro, small and medium enterprises in wolkite Town Adminstration Ethiopia. This research designed to assess enterprises related factors, lender related factors and external related factors. Both descriptive and explanatory research design were employed by using both primary and secondary sources of data. Quantitative and qualitative data would be used. Stratified simple random sampling was used to select proportional numbers of sample from each stratum in the study area. Both close and open ended questionnaire was used to collect the required data from 176 respondents. The data was collected, coded, quantified and analyzed by using statistical package for social science (SPSS v.20). The binary logistic regression model was used to show the effect and relationship between explanatory variables and explained variables. The finding of this research revealed that the selected independent variables significantly explain the variation in the dependent variable at 5% level of significance. The econometric result indicated that loan repayment period, follow up and supervision, market accessibility and enterprises services sectors and age were positively and statistically significant association with loan repayment performances of MSMEs in the study area. Whereas, factors like training, saving habit, gender, education level, marital status, enterprises member size, loan size, interest rate can affect loan repayment performances positively or negatively but their impact on loan repayment performances was insignificant. The study recommended that the town of enterprise and industry development office should be communicate and integrate with regional and federal government to create between financial institution (micro finance) and MSMEs for setting suitable loan repayment period, OMFI and other stake holder should make continuous follow up and supervision on loan utilization and repayment. The town administration should provide market linkage in around the town specially with macro project and governmental institutions, incentive like tax free for some limited time, excess land for working area, promote market and MSMSE should work hard to market demand for their product and services by preparing different market exhibition.

Key words:-loan repayment performance, MSMEs, Internal, external factors, Defaulters and non-defaulters

TABLE OF CONTENTS

LIST Tables

Tables of figure

LIST OF ACRONYMS

BRAC - Bangladesh Rural Advancement Committee

CGAP - Consultative Group to Assist the Poor

CIDA - Canadian International Development Agency

DCSI - Dedebit Credit and Saving Institution

EEA-Ethiopian Economic Association

FeMSEDA -Federal micro and small enterprises development agency

GDP-Gross domestic product

GTP- Growth and Transformation Plan

LEs-Local employment services

LRP -loan repayment performance

MFI -Microfinance Institutions

MoFED- Ministry of Finance and Economic Development

MSE - Micro and Small Enterprises

MSMEs-Micro, small and medium enterprises

MSEDA: Micro and Small scale Enterprises Development Agencies

NBE - National Bank of Ethiopia

NGO- Non-Governmental organization

OCSSCO - Oromia credit and saving Share Company

OLS - ordinary least squares

OMFI- omo microfinance institution

PASDEP- Plan for Accelerated and Sustainable Development to End Poverty

PRSDP- Poverty Reduction and Sustainable Development Program

SW: subhanahu wata'ala

SPSS: Statistical Package for the Social Sciences

CHAPTER ONE: - INTRODUCTION

This Chapter deals with the Background of the study, Statement of problem, Objectives of the study , Scope of the study, Limitations of the study, Significance of the study and Organization of the thesis.

1.1. Background of the study

Microfinance has been recognized as an essential to socio-economic and financial tool for poverty alleviation, promoting entrepreneurial development and increasing the profile of disadvantaged people in different countries through the world (Hossainn, rees and miller, 2012).

Micro, small and medium enterprises are recognized as integral components of job creation opportunity and income generation. It has a great role for economic development. In order to strengthen micro, small and medium enterprises (MSMEs) a numbers of program and facilities are provided to enhance their performances and competitiveness. Small and medium enterprises are playing significant contribution in economic development, social uplifting and political stability of every country (Nasir Shari and Adel Agel, 2011). It can be considered as backbone of national economy. MSMEs are represent more than 95 percent of registered firms worldwide, accounts for more than 50 percent of job and contribute more than 35 percent of GDP in many emerging market. Moreover, the contribution of MSMEs to GDP actually increases as economies develop with SMEs in the developed world contributing well over 50 percent of GDP. They can be power full for integrating woman and youth in to the economic main stream and appropriate financial allocation decisions. (World Bank Group, 2017). The World Bank gives three core arguments in supporting SMEs in listed developed countries (LDCs),which in line with the arguments of modern paradigm on the importance of MSMEs in the economy. First; MSMEs enhance competition and entrepreneurship and hence have external benefit on economy wide efficiency, innovation and aggregate productivity growth. Second; MSMEs are generally more productive than local employment services (LES) but financial market and other institutional failure and not conductive micro economic environment impede MSMEs development. Third; MSMEs expansion boosts employment more than LEs growth because MSMEs are more labor intensive (World Bank, 2017).

In Africa, small and medium sized enterprises development policy of Tanzania, indicated that micro-business began to emerge after economic reforms that were introduced in 1996 there by changing the economy of Tanzania to free market economy contribution of micro business are generally acknowledge as one of the key driver forces toward economic growth. (Paluku Kazimoto, 2002).

Similarly, in Kenya the first small and medium enterprises baseline survey revealed that there were approximately 910,000 SMEs employing up to 2 million people. The second base line survey estimated the size of SMEs sector at 708000 enterprises employing up to 1.2 million people. Compare to other sectors of economy, the contribution of EMEs sectors to the country's gross domestic product (GDP) increased from 13.8% to 18%. Currently, it is estimated that the contribution to GDP by this sector stand over 25 % (Frederick Kangala, 2016).

In Ethiopia, like any other developing countries micro, small and medium enterprises has become an increasingly wide spread used strategy for its labor intensiveness, suitability to produce more job with less capital per job created, its utilization of locally available resources, fostering linkage with and among various sectors and reliance to internal and external economic shock (FEMSEDA, 2012). There are multidimensional problem like extreme poverty, unemployment, low per capita income and unequal income distribution facing in the county.

As a result government is framing different strategy and policies to create job opportunities and to pull out of these problems.

In Ethiopia there are also suffering from severe poverty, unemployment, income inequality and low per capita income. For the solution of the mentioned problem, the government issued national micro, small and medium enterprises in 1997 and established the federal micro and small enterprises development agency in 1998. The country industrial policy and strategic program in 2006 had single out of MSEs as a major instrument to create productive and vibrant private sectors and reduce poverty among urban dwellers (Siyum, 2015). MSMEs were placed at the heart of the first industrial policy strategy in 2002. Similarly, within the framework of the government's 5 year economic development plans, including PASDEP, GTP I and GTP II, the expansion and development of MSMEs has systematically been a key strategic priority. (ADA asbl, 2017). According to the strategic plan, Micro and Small Enterprises in the manufacturing sector created job opportunity for 1,148,000 unemployed youth and women and helped to reduce unemployment rate from 18 percent in 2010/11 to 17.5 percent in 2011/12 fiscal year. The share of the manufacturing sector in GDP is expected to show a fourfold increase from 4.8 % in 2014/15 to 18 % by 2025(GTP II) (Growth & Tranisformation plan II, 2015).

In view of this, the government is implementing different financial and business development services (BDS) program in different part of the country for helping MSMEs attain their intended objectives.

The support services program for promotion and development of these enterprises has been launched in Wolkite town Administration since 1998E.C. The element of the program include an enabling legal frame work and streamlining regulatory condition, specific support services (financial and business development services) and technical frame work services.

This study was conducted in Wolkite Town Administration by including external factors that affected loan repayment performance, by taking all MSMEs level, five main sectors (manufacturing, urban agriculture, service, construction and trade sectors) and by taking their successive past year's loan repayment status in wolkite Town. Therefore, this study intended to examine factors affecting loan repayment performance of MSMEs in case of Wolkite Town Administration.

1.2. Statement of the problem

The role of Micro and Small Enterprises in Ethiopia is indispensable in poverty reduction through employment generation since national MSEs Development Strategy was formulated in 1997, and government strongly believes that MSEs are the right solution to reduce urban unemployment and poverty. However, there are many critical challenges that hamper the growth and development of MSEs in Ethiopia. According to Assefa, Zerfu, & Tekle (2014), key constraints to MSE growth in Ethiopia were access to finance, collateral challenges, marketing challenges, working and sales space, capital goods and machinery challenges, licensing and registration challenges, attitudinal challenges, institutional coordination problem. Among listed challenges in the above paragraph, accesses to finance are the chief factor affecting MSEs. According to EEA (2015), initial capital for MSEs emanated from diverse sources, the major one being loans. Since most MSEs have Lack of the initial start-up capital, facilitating access to loan would definitely help to establish new MSEs and address working capital problems of existing ones. All those MSEs which have accessed loans for their businesses might not repay their debts as scheduled. Several factors have been identified as reason for lack of loan repayment such as enterprises/individuals/ related factors, lender related factors, and external related factors. As indicated by Mukono (2015), Individual characteristics include the age of borrower, gender, level of education, business experience, household size, credit use experience, household income, non-business income, type of business activity, and amount of

business investment. Loan characteristics include the loan size, repayment period, collateral value, number of installments, and application costs, previous loan experience, and purpose of loan. Firm characteristics factors include the time lag between loan application and disbursement, interest rate, access to business information, access to training on loan use, cooperative membership and penalty for lateness to group meetings.

Omo microfinance institution was one of the major financial institutions to provide credit and saving to micro, small and medium enterprises. But this micro finance institution has facing loan repayment problem which provide urban finance from promoting and extending loan. Out of the total loan disbursed by the institution the average repayment performance rate for the last ten years were collected/repaid only 16.94 % or 83.06% did not repaid to the lender (OMFI, 2021), which is greater than the national bank of Ethiopia minimum requirement set for all financial institution means, less than five percent default rate or more than ninety five percent expected to collected. Since the studies on loan repayment performances are not a new research area. In fact different researchers were conducted study both from inside and outside the country at deferent time on the factors affecting loan repayment performances of SMEs by dividing those factors in to different characteristics and they were revealed those positively or negatively affect loan repayment performances of MSMEs. The reason of loan repayment delay by MSMEs may differ from area to area and from one MFI to the others. Whether loan repayment delay is random and influenced by irregular behaviors or whether influenced by certain factors in specific situation, need an empirical investigation.

"However, none of the studies conducted in Wolkite Town Administration by including external factors that affect loan repayment performances, by taking all level, all sectors(manufacturing, construction, trade, services and urban agriculture) and by taking their successive past ten years loan repayment status in Wolkite Town Administration".

Therefore, this study intended to examine factor affecting loan repayment performances of MSMEs in case of Wolkite Town Administration, Gurage Zone, and SNNPR.

1.3. Research Question

- What are the extents of performances loan repayment of MSMEs in Wolkite Town administration?

- What are the major internal and external factors that hinder loan repayment performance in Wolkite Town?
- What are the major factors that affect loan repayment from lender point of view?

1.4. Objectives of the Study

1.4.1. General objective of the study

The general objective of this study was to examine the factors affecting loan repayment performance of Micro, small and medium Enterprises in Wolkite Town Administration, Gurage Zone, and SNNPR 2022.

1.4.2. Specific objective of the study

- To determine the extent of loan repayment performance of MSMEs in Wolkite town Administration,
- To identify the major factors hindering loan repayment performance of Micro, Small and Medium Enterprises in Wolkite town Administration
- To access the effects of lender (Micro finance institutes) related for MSMEs loan repayment performance in Wolkite town Administration

1.5. Significance of the study

The significance of this study will play a role by identifying the factors that affect loan repayment performances of Micro, Small and medium Enterprises. This is because with high loan defaults, the objectives of individual Micro, Small and medium Enterprises, MFIs to make profit, and the general objective of the government using these sectors as a tool for poverty minimization not being achieved. This study would aims at establishing factor affecting loan repayment performance, thus its findings will be benefits to MSMEs to get knowledge that used to prevent the factors that influence their ability to repay loans. Financial Institutions including commercial banks in generally and Microfinance Institutions in particularly will be benefit from the study since the study has establish the major factors affecting loan repayment. Policy makers may use the study findings to formulate policies on loan repayment performance of Micro and Small Enterprises. In addition, the study will add on to the existing knowledge on loan repayment and MSMEs. In addition, prospective researchers may use the study as part of their empirical studies

1.6. Scope of the study

This study would conduct in SNNPR Gurage Zone Wolkite Town, on Micro, Small and Medium Enterprises that were registered and licensed by Wolkite Town Administration Enterprises and Industry development Office. These MSMEs receives financial service from Omo Microfinance Institution. This microfinance provides loans to MSMEs those engaged in urban agriculture, construction, manufacturing, service and trade sectors. "The issue concerned on the factors affecting loan repayment performances of MSMEs by taking successive ten year (2012-2021) loan report data of only Wolkite Town district of Omo Microfinance".

1.7. Limitation of the study

The study could encountered certain limitations such as lack of acquiring adequate information from the Enterprises and stated MFI, the available data of borrowers, low educational level and less exposure to information, getting government official, and shortage of relevant written resource materials are also another limitation that the researcher faced.

1.8. Organization of the paper

The major section of this thesis would be organized as follows. chapter one consists of the introduction parts, chapter two consists of review of the theoretical and empirical related literatures on the definition of Microfinance and MSEs and related factors that affect loan repayment performance of enterprises at global and countrywide level, chapter three describes the methodology of the study, chapter four describe about result and discussion and chapter five includes conclusion and recommendation.

CHAPTER TWO

2. LITERATURE REVIEW

This chapter includes the review of related literature intended to review that both theoretical and empirical literature concerning about the factors that affect loan repayment performance of micro, small and medium enterprises.

2.1. Theoretical literature review

The theoretical aspects of literature reviewed are focused on definition of terms such as micro finance, micro, small and medium enterprises, loan repayment and lending methodology of micro finance institutions.

2.1.1. Definition of Micro finance

Different authors and organization have defined micro finance institution in different methods. However, the concept or the meaning of the definitions is usually the same in which micro finance refers to the provision of financial services; primarily saving and credit to poor and low income house- holds that do not have access to commercial banks services (Arsyad, 2005). Micro finance is development approaches that provide financial as well as social intermediation. The financial intermediation includes the provision of savings, credit and insurance services, while social intermediation involves their aspirations, raise concern for consideration by policy makers, and develop their self-confidence (Robinson, 2001). Moreover, conroy (2002) stated that micro finance is a provision of a broad range of financial services such as deposit, loan, payment services, money transfer, and insurance to poor and low-income households and the micro and small enterprises. The world bank defines scale financial micro finance services primarily credit as and small saving provided to people who farm or fish and who operate small enterprises or microenterprises where goods are produced, recycled, repaired, or sold; who provide services; who work for wage; or commission; who gain income from renting out small amounts of lands; vehicles; draft animals or machinery and tools; and to other individual and group at the local levels of developing country. Consultative Group to Assist the Poor (CGAP, 2012) defined micro finance is formal financial services to poor and as well as others systematically not benefited from the financial system. The other authors defined about MFIs is that, it offers financial services to poor people. The aim of access to financial services for poor people is help to alleviate risk, build their assets, improve their income, and furthermore contribute to development of focal community (cull et al, 2009). Even different

microfinance institution definition differs. Accion international is one of the world biggest microfinance institutions and /or financial services targeted to low and moderate income business or households, including the provision of credit. Accion The Bangladesh based MFI,BRAC, defines their micro financial services to the poor, Who are unable to obtain credit from mainstream banks due to lack of necessary assets and referral counterparts to the famous Grameen Bank in Bangladesh, on the other hands, "microfinance is made up of a variety of low income of entrepreneurs" (Grameen America,2011).

Microfinance is a form of financial institutions that has primarily focused on alleviating poverty through rendering financial services to the lower income society or poor. Microfinance is not only offering these services, but also it provides broader services including insurance, transactional services and savings (Barr, 2004). Canadian International Development agency (CIDA, 2007) defined microfinance of financial services to poor women that enables asset and reduce lack of assess to formal financial institutions. According to (christen *et al*, 2003) microfinance means the lower income people, especially the poor and have in much narrower senses, referring principally microcredit for tiny informal business of micro enterprises and they initially deliver such services since 1998 mainly by socially oriented non-governmental organization (NGO).Since microfinance is a system that distribute small loan to poor people in order to them to generate income and start their own small business, it has the ability to lessen poverty as well as promote entrepreneur ship, social and economic developments in poor communities (Lazar et al, 2008).

2.1.2. Definition and role of Micro and small enterprises

2.1.2 .1 Definition of Micro, small and medium Enterprises

Micro small and medium enterprises defined in different ways by using various factors. This factor includes number of employees, volume of sales, and the capital value of the business (Zemenu and Mohammed, 2014). Generally there are two types of definition. The first is operational definition, which are largely used for working purposes and the other is theoretical definition, which are generally employed to characterize the sectors. In recent time, there has been some degree of convergences particularly in micro, small and medium enterprises in Europe. The definition of Europeans commission defines MSMEs using combination of employee numbers, annual turnover or balance sheet total and owner ship. A definition of MSMEs in developed world would differ from how MSMEs defined in the third world. An enterprises categorized as micro enterprises in USA may treat as medium enterprises in Africa for the fact that the definition of MSMEs in relative to

economic development. The other factor commonly used in defining MSMEs is annual turnover. Again the acceptable figure differs from country to country, depending among other factors on population and stages of economic developments. For insistence, the accepted definition of small enterprises in USA is an entity which doing three average years not to exceed 15 million dollar, and very small enterprise (microenterprises) as an entity with average annual gross revenue for them this shows that there is no common definition of MSMEs and that the definition vary from country to country depending on largely on the size of economy, the level of development, culture and population size of the country.

In Ethiopia, the MSMEs development strategy defines MSMEs according to number of employee and capital. Micro enterprises under the industry sectors (manufacturing, construction and mining) is an enterprises operates with less than or equal to 5 people including the owner and/or their total asset is not exceed 100,000 Birr. Under services sector (retailer, transport, hotel and tourism, information communication technology (ICT) and maintenance service). Is an enterprises operates with less than or equal to 5 people including the owner and/or their total asset is not exceed 50,000 Birr. Small Enterprises in industry sectors are an enterprises operating with 6-30 persons and /or with paid up capital of total asset 100,000 birr and not exceeding 1,500,000. Similarly, in services sector Small Enterprises an enterprises operating with 6-30 persons and /or with paid up capital of total asset 50,000 birr and not exceeding 500,000 and medium manufacturing enterprises operating with 30-100 persons and /or with paid up capital of total asset 1,500,000 birr and not exceeding 20,00,000 (FMSEDA, 2019).

Table 1 Definition of MSME applicable in **Ethiopia**

Level of enterprises	sectors	Employee	Capital

Micro enterprises	Industry	≤5	≤ ETB 100,000
	Service	≤5	≤ ETB 50,000
Small enterprises	Industry	6-30	ETB 100,001-1,500,000
	Service	6-30	ETB 50,001-100,000
Medium enterprises	Industry	30-100	ETB1,500,001-20,000,000

Source: FeMSEDA, 2019

2.1.2.2 Role of the Micro, small and medium Enterprises sectors

Micro, small and medium (MSMEs) recognized as engines of growth and development throughout the world (Munyoriand, 2014).The MSMEs operations in worldwide plays a crucial role by adding value to the economy by creating jobs, enhancing income, lowering cost and adding business convenience (Fotaki,2010,Katua,2014). MSMEs are now widely recognized as a major component in the growth and development of emerging economies. They found to be one of the most reliable economic development and likelihood strategy, especially during economic turbulence (Kamoyo et al, 2014).The importance of MSEs in general and new business in particular makes as significant contribution in addressing socio economic problems such as unemployment, poverty, income inequalities, political stability and economic growth among others (Musarand ,2014). In Ethiopia the MSMEs has prioritized for economic growth, employment generation and building an industrial economy. The MSMEs sector serves as a vehicle of development and broad employment opportunities at urban center. The elements of the sectors taken as the major productive force in manufacturing sector and serve as incubation hubs for developmental investor. MSMEs play a great role in utilizing local resources and labor intensive (FMSEDA, 2012).

2.1.3. Definition of loan and its repayment

Loan is defined as types of debt instrument that entails the redistribution financial assets over time between the lender and the borrower. It is also typically, the money which is expected to be paid back in regular installments or partial repayments periodically that each installment being of the same amount (Savio *et al, 2017).* Additionally, According to (Alex, 2014), successful loan repayment is defined as the ability to repay the loan as per the loan contract and defaults occur when the debtor has not met his or her legal obligations according to the loan contract. For instance a debtor has not made a schedule payment, or has violated a loan covenant (condition) of the debt contact. A delayed installment said to be delinquent and repayment that not been made is said to be

in default. Default on borrowed funds could arise from unfavorable circumstance that may affect the ability of the borrower to repay.

Delays of repayment lead to two ominous effects for financial institutions, which include non-refinancing of a large number of safe borrowers and the collection of late installments by the loan officer driving to an increase of its load without compensation in resources. In addition, because of the delay of a member, others member incited to delay their repayments and even to negotiate with the institution the possibility to abandon the last part of the loan. In general, (Mukuno, 1015) distinguish the term of insolvency and bankruptcy and explain types of default as follow.

- "Default" essentially means a debtor has not paid a debt that her or his required to have paid.
- "Insolvency" is a legal term meaning that a debtor is unable to pay their debts.
- "Bankruptcy" is legal finding that imposes court supervision over the financial affairs of those who are insolvent or in default.
- Default can be two types; debt services default and technical default .Debt services default occurs when the borrower has not made a scheduled payment of interest or principal. Technical default occurs when an affirmative or negative covenant is violated.

2.1.4. Lending methodology of microfinances institution

Lending methodologies may differ with respect to clients whether loans are made to group or to individuals. The selection of lending methodology greatly affects product design, client selection, the way of application or approval process, and loan repayment monitoring and portfolio management activities of microfinance institution (MFIs).Lending methodology also affects the institutional structure and staff requirements, including training and compensation (Wood, 2013)

2.1.4.1 Individual based lending methodology

Individual based lending methodology programs are those where the borrower has to provide for collateral in order to access credit facility since the borrower has more information than the lender about his business. Then the lender will check the financial status of borrowers business to evaluate his capacity to pay back the loan. This will reduce the credit risk by the lender .This is usually leads to close relationship between the microfinance and individual borrowers because periodically the microfinance institution keep close evaluation repayment. Usually, the lender evaluates carefully about the status of collateral and make sure the asset cannot be transfer to third parties without consent. The lender cannot lose because in the case of default they will dispose the collateral (Brandt *et al*, 2012).

2.1.4.2 Group based lending methodology

In group based lending, collaterals are not used and instead, collective responsibility from the group and peer pressure is used. In addition to this, the role typically played by microfinance loan officer are delegated to the group that is determining who will join the group, peers screen clients and assessing each other amount to be disbursed (Waterfield *et al* ,1996). The advantages of this lending methodology is that it can be reach the poor who have no collateral hence increases client of the microfinance institution (Brandt *et al* ,2012).

2.1.4.3 Group solidarity

Group solidarity is an approach, unconventional, policy, in which loan is provided to the individual through the group (Abdullahi, 2008). A lender does not request group members to meet collateral requirement. The bases of this methodology are the mutual trust among the group members and loan is provided just using the Five person guarantee, where the individual borrowers is responsible for the repayment of the loan. Group solidarity is that program that does not anticipate the graduation of borrowers from the lending institution. In contrast, community based organization approaches always make a goal to ward eventual independence of the borrowers group from the lending institution (Brandt *et al*, 2012)

2.2. Empirical literature review

The empirical related literatures tried to review several studies that conduct both inside and outside of the country by different researchers on the loan repayment performance of client or micro, small and medium (MSMEs) of microfinance institution (MFI) summarized as follows.

2.2.1. Empirical study in Ethiopia

Different authors carried some empirical studies in different time on the factors that affecting loan repayment performance of MSEs throughout the country reviewed as follows.

Firafis (2015) conducted a study in Eastern Hrarge zone of Harari Regional state, Ethiopia to access factors affecting loan repayment performance of Harari microfinance institution by employing binary logistic regression model. Accordingly, saving habit of borrowers, loan size, perception of borrowers on repayment period, sources of income, availability of training, business experience, business types, family size, and the purpose of saving significantly influenced loan repayment performance. The econometrics result revealed that the probability of default increases as family size increase, when the borrowers has negative perception on repayment period, less training, low business experience, poor saving habit and only single sources of income.

Selam (2016) conducted study on the determinants of loan repayment performances of micro and small enterprises in Dire Dawa Administration and two limits Tobit regression model used to identify factors that affect loan repayment performances. The results indicated that sufficient loan size and repayment period were related significantly and negatively to loan repayment performances of enterprises. Follow up or supervision, access to market, business experiences, and trade and services sector were important factors that affect loan repayment performances of the enterprises positively and significantly affect loan repayment performances.

Milkessa Asfaw (2020) conducts on identifying the determinants of loan repayment performance of Omo microfinance borrowers in Mizan Aman town, Bench Sheko Zone, Ethiopia. He used both qualitative and quantitative data from both primary and secondary sources were used in this study. The researcher employed Descriptive and inferential statistics and econometric model (logit) were employed to analyze the data. The explanatory variables were included in the empirical model and out of the total hypothesized explanatory variables involved in the model educational level, annual income and training were positively and significantly influenced loan repayment performance of the borrowers, while loan size negatively and significantly determine loan repayment in the study area

Abraham (2017) was conducted a study on the assessment of factors affecting loan repayment performance of borrowers on selected microfinance institution in Oromia region. The researcher conclude that income from other sources, monitoring utilization of other members in a group, credit timeliness, repayment time suitability, repayment trend on monthly bases and training adequacy are found significant and positively influence on loan repayment performances of borrowers. While loan utilization for intended purpose, repayment trends on regular bases and visit and follow up on irregular bases found negatively influence the loan repayment performances of borrowers. In addition, He revealed that male borrower in a given enterprises were found to be more defaulters than females although they have relatively higher utilization rate of the loan for the intended purposes as compared to that female. The researcher has used multistage sampling methods and he collected the primary data by using structured questionnaires, semi-structured interviews and focus group discussions. The descriptive statistics analysis and probit regression model was employed to estimate the model and analyze the result findings.

Tolossa (2014) conducted a study on the performance of loan repayment determinant in Ethiopian microfinances and revealed that the age of respondents negatively and significantly determines the loan repayment performances of borrowers. This indicated that the elder respondent have better

repayment performance than youngers do (as argued by Fikirte (2011) and Mesele kebede *et al* (2016). Hence, educational level and time laps between loan application and disbursement were positively and significantly affecting loan repayment performances at 1% and 5% significant level. Whereas age of respondents, loan size, loan diversion, repayment period, numbers of dependents within and out households, training and supervision and advisory visits had influences negatively and significantly the borrowers loan repayment performances at 1% significant level. The researcher employed binary logistic regression model to estimate and analyze the results.

Mesele *et al*, (2016) conducted a study on the Factors Affecting Loan Repayment Performance of Small Scale Enterprises Financed by Micro Finance Institutions on Private borrowers around Wolaita and Dawuro Zone .They were revealed that out of total of 15 explanatory variables considered in the econometric model six variables were found to be significant. These were age, education level, number of dependents within and out household, Tropical livestock unit, value of equipment, repayment suitability. The coefficients of these all-significant variables were negative and positive. They used a two-limit Tobit model to analysis the result.

Balamurugan (2017) assessed the credit default risk in Oromia credit and saving share company (OCSSCO). His finding outcomes revealed that the OCSSCO default rate increased over the review period. The major causes of default were found to be poor business performance, in terms of low profitability or business losses. Besides, credit diversion to unprofitable uses, poor timing, inadequate supervision to borrowers, inadequate loan size, unfair screening mechanism, non-flexibility of the nature of repayment period, not quick process were other factors that caused credit default and in addition natural disaster, poor infrastructure, poor management and presence of negligent staffs were identified and taken as causes for credit default risk. Further, the inference results of the descriptive statistics show that awareness creation is important and significant factors that enhance the credit repayment performance. He used stratified sampling method and collected the primary data by using structured and unstructured questionnaires. The researcher employed Descriptive statistics and SPSS version 20 software to analysis the collected data.

Gobena (2018) conducted study on determinants of loan repayment performance of micro and small enterprises: the case of Oromia credit and saving share company branches under Oromia special zone around Addis Ababa. Thus, the result of this study indicates that the loan repayment performance of MSE sectors were positively influenced by various factors like; education level of MSE leaders, Training provided by OCSSCO, loan supervision undertaken by OCSSCO, market accessibility and

technology advancement in the study are. Whereas loan interest rate charged by OCSSCO, internal rules and regulations, the chance for additional loan from OCSSCO, enterprise leaders lack of experience in the business area, enterprise members group size and enterprise group formation by other bodies influenced the loan repayment performance negatively in the study area. Structured and interview based questionnaires were used in order to collect primary data whereas secondary data were used from published and unpublished documents of their office and this study were employed both the descriptive and logit model in order to identify the factors that determine loan repayment performance of MSE sectors.

Adugna, M. (2022) conducted on Oromia Credit and Saving Share Company (OCSSCO) to identifying factors that influence the loan repayment performance of micro and small scale enterprises. He uses the primary data and stratified random sampling technique to obtained sample respondents. For the data analysis the researcher used, descriptive statistics were used to describe the socio-economic characteristics of the MSEs. The researcher use binary logistic regression model to identify factors that affect loan repayment performance of MSEs. He revealed that from a total of 14 explanatory variables in the regression seven explanatory variables were found to be statistically significant to influence loan repayment performance. As the result of econometric showed that educational status, training of the borrowers, Suitable repayment period, Loan supervision, Income from others Sources, Revenue from business and business experience were affect loan repayment performance positively significant.

2.3. Conclusion and Research gap

As mentioned above, in empirical related literatures review different researchers were conducted study both inside and outside of the country on the factor affecting loan repayment performance of MSMEs. Different studies focused on the investigation of the determinants of loan repayment performance of all target customers of microfinance borrowers. However, except Selam (2016), Adugna, M.(2022 and Gobena (2018). nothing was conducted study on the factors affecting loan repayment performance of MSMEs by analyzing successive past ten years loan repayment performance of MSMEs, taking all levels of MSMEs and all sectors of MSMEs to identify whether loan repayment affected by irregular characters or whether it is affected by certain factors in specific situations. In addition, most of the researchers not considered external factors those influence loan repayment performance of MSMEs during their investigations and no anyone researchers conducted study on factor affecting loan repayment performance of MSMEs by including all level of MSMEs

and all sectors (manufacturing, trade, service, construction and urban agriculture) of MSMEs except Gobena (2018). However, it's important to conduct a for the repayment performance of Micro, Small and medium Enterprises in the case of Wolkite town Administration by including external factors that affect loan repayment performance, by Including all MSME sectors and by analyzing their successive past ten years loan repayment and focusing only borrowers of MSMEs might provide an additional picture of the gap for the microfinance practitioners to improve their lending strategies.

2.4. Description of the study Variables

The study variables composed of both dependent and independent variables through which the independent variables have effect on the dependent variable**.**

2.4.1. Dependent Variable

For the purpose of analysis, the dependent variable of the study was loan repayment performance (LRP) that are classified into two groups of enterprises as; who repaid the loan on time and enterprises who could not pay the loan in full for one year from the past due date. As it discussed earlier under the statement of the problem the average of default different sectors financed by OMFI for the MSME last ten years was repaid only 16.94% or 83.06% did not repaid on average which is greater than the National Bank of Ethiopia (NBE) minimum requirement set for all financial institutions, i.e., <5 percent default rate or >95 percent expected to be collected. This shows that there is the problem of loan repayment performance that needs to be solved by the following independent variables.

1.1.1. Empirical studies in the other countries

Several studies conducted in different developing countries regarding factors affecting loan repayment performance, some of them can be reviewed and summarized as follows.

Sungwacha *et al (2014)* conducted on the factors influencing loan repayment performance among group borrowers in Bungoma west district, Bugoma County. The results in this research indicate that various environments in which loan repayment performance may be retarded. Proximity of borrower to microfinance institution is not significant on repayment given that banking strategies like mobile services and electronic money transfer technologies adapted by MFIs mitigate travelling challenges. Consequently, to increase accessibility MFI should increase these activities. Group meetings prior to loan disbursement are important for members as such forum enhance discipline in members. MFI should schedules group meeting and utilize them to enlighten borrowers on sound financial practices. Politics pose a risk as it discourages loan repayment as a members influence peers not repay.

Benjamin *et al (2017*) examined the micro credit loan repayment default among small scale enterprises in upper west region of Ghana by applying the Tobit and double hurdle models. The result showed that enterprises size, interest rate, loan duration, level of profit and loan amount are the simultaneous determinants of probability and rate of default. However, the age and educational attainment of the enterprise owner, number of dependent and loan repayment schedule influence the probability of the default but not the rate of default more educated clients are 26.6% less likely to default; entrepreneurs with more dependent are 58.6% more likely default , enterprises that have operated for relatively longer years record smaller default rates as compared to younger enterprises; Enterprises that secured loans with higher interest rates are more probable of defaulting; Enterprises that make large profits are 7.1% less likely to default in loan repayment and amount of loan is a positive determinant of probability of loan repayment default. This means that enterprises that secured larger loan amounts are 6.1% more likely to default

Ann mukono (2015) used the Logit regression model and examined the determinants of loan repayment by small and medium Enterprises in Nairobi County, Kenya. The data analyzed using the descriptive statistical tools and cronbanch alpha coefficient to determine the instruments reliability. The results showed that firm characteristics, borrower characteristics, loan characteristics and lender characteristics yields cronbach alpha coefficient of 0.74, 0.848, 0.897 and 0.769 respectively. This result indicates that the study instrument was reliable since all the alpha coefficient was beyond 0.7, which is the accepted bench mark for reliability. The study also under took a correlation analyses to establish the correlation that exists between the study variables. The study indicated that loan repayment status has a weak positive correlation with firm and borrower characteristics as indicated by correlation coefficient of 0.002 and 0.47 respectively. The loan and lender characteristics have a weak negative correlation with loan repayment status by small and medium enterprises as indicated by the correlation coefficient of -0.076 and -0.024 respectively. These results indicate that there is a weak correlation between loan repayment status and the study variables. The revealed that firm characteristics (Owner ship structure, types of firms, firm location, firm size, age of the business, registration status, profitability and asset owner ship. Types of business and borrower characteristics (age of borrower, gender of the borrower, level of education, business experience, household size, credit use experience, household income, non- business income, type of business activity, amount of business investment, borrowers attitude and family background) are positively influence loan repayment performance by small and medium enterprises. Whereas the loan

characteristics (loan size, loan repayment period, collateral value, number of installments, loan application costs, loan type, purpose of loan, previous loan repayment mode and length of time before repayment) and lender or firm characteristics (interest rate, Penalty for lateness, credit analysis procedure, lending policies, time lag between loan application and disbursement and Stringent loan procedures) are negatively influence loan repayment by SMEs.

Nancy and Mohamed (2014) had analyzed the determinant of loan repayment in small scale enterprises in developing countries; Kariobangi Division in Nairobi. The results shows that the personal characteristics (higher education level and large family size), loan characteristics (large amount of loan applied and longer duration of business) result increased loan repayment and vice versa. Whereas an increase an age, interest rate and change in gender leads to more loan default and vice versa. The study used the ordinary least square (OLS) regression techniques.

1.1.2. The independent variables

The independent variables that are expected to affect the dependent variable or Loan repayment performance of Micro, Small and medium Enterprises are selected based on the existing literature on the factor affecting loan repayment performances. The explanatory variables selected for this study are broadly categorized under enterprises factors, lender factors and external factor. The loan repayment performance can be affected by these factors either positively or negatively. Therefore, a description of the explanatory variables and the factors that effects on the loan repayment performance.

2.4.2.1 Demographic related factors

Gender: This research considers the gender characteristics of the borrowing groups as an explaining factor to evaluate how the gender is probably determine the repayment status of the borrowers. The expected signs of this gender characteristic groups to the dependent variable cannot still pre-determined.

Age: Some researchers have taken the ages of the borrowers as a variable that can influence the repayment performance of borrowers. As it was stated in the previous section, in group-based lending approaches, Abafita, 2003 have revealed that the more youngsters the age of the borrowers the less the repayment recovery rates achieved by the lending institutes; that means the more the aged group borrowers can take the responsibility of being liable and creditworthy than that of the

youngsters. Similarly, the more the older and aged the borrower groups are the more likely they are creditworthy borrowers that have better repayment performances while the young borrowers are more likely to be defaulter borrowers (Fikirte, 2011). Based on the above studies the study cannot pre-determine the signs of the variable to influence the repayment performances.

Marital status: This study considers the marital status of respondent repayment performance of MSMEs. The type of marital status likes; single, married, divorced and widowed may be influence loan repayment performance of enterprises. The study cannot pre-determine the signs of this variable to affect the loan repayment performance.

Enterprises leaders education level: This implies that education plays great role in raising the level of awareness, exposure to technologies, access to business information and to manage resources properly which boost production and so does the proper utilization of the loan. Educated enterprises leaders has ability to adopt his be better than the illiterate ones, hence the variable is expected to have positive effects on loan repayment performance.

Enterprises business sectors: Firms in different sectors of the economy face different types of problems. That means the degree of those critical factors in food processing sector may differ from the factors that are critical to textile, garment, wood, and metalwork sectors (Admasu, 2012). In this study five sectors are included, each sectors has its own influences on loan repayment performances of enterprises.

2.4.2.2 Enterprises related factors

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

Enterprises member size: This is refers to the enterprises member size effect on their loan repayment activities. This means that MSME sectors those have higher members size would be more likely to fail to repay their loan timely at the repayment schedule and enterprises those have lower member size more likely to repay their loan on time. Accordingly, the variable will be negative sign as the enterprises member group size larger.

Loan size: According to (Abreham, 2016), this refers to the average loan size that the lending institutes approved to the borrowers business appraisals. As it was revealed by some researchers, this

factor can influence negatively or positively the repayment performance of borrowers. The assumption is that the more the sufficient loan amount disbursed to the requesters the more they can finance the proposed business and the more they can succeed the business profitably. On the other hand, the less approved loan size below the proposed business plan to the borrower, the higher the possible difficulties they can face while running the business due to the insufficiency of funds available by the lending institutes. On the contrary, the excess loan size approval to the determined loan amount requested by borrowers may have imposed the burdensome liabilities on the shoulder of the borrowers. Accordingly, the sign of the coefficient cannot pre-determine by the researcher.

Enterprise Saving Habit: If the enterprises save money in an institution before the failure, they may be willing to repay their loan. Since when they are in default, they will lose their saving. Thus, the saving behavior of enterprises may have low default rate (Bhatt and Tang, 2002).It will be expected to have positive impact on the loan repayment performance of enterprises.

2.4.2.3 **Lender related factors**

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

Loan follow up or supervision: Refers to the frequency of lending institutes officers follow and visits to the clients business to monitor the effective utilization of the loan for the intended purpose. The more frequent the follow up and supervision to the client's business territory might help the enterprises to utilize the loan for the intended purpose only. Furthermore, either the visits to those target borrowers will help in identifying the loops that face the borrowers technically or financially in order to minimize the risks suffer from defaults. Accordingly, it is expected to have positive effects on the probability of enterprises being repay loan.

Loan interest rate: It is refers to the cost charged on loan receipted, as result loan interest rate implies a negative effect on repayment performance of recipients. By another way, as the loan

interest rate increases the probability of loan default increases and thereby, negatively affects loan repayment performance of borrowers. Therefor a negative sign will be expected for this variable.

Loan Repayment period: Most of the MFIs in Ethiopia set the maturity date of the loan for an annum i.e. they deliver credit for one year. Some MFIs do have credit terms for more than one year (2-5 years) based on the nature of business types. If the repayment period is suitable, the enterprise may be able to perform better. If the repayment period is relaxed, the amount of each installment required to pay will decrease, the debt burden on the enterprise will be smaller hence will not face difficulty in properly meeting his debt obligation. Hence, positive sign will be expected.

2.4.2.4 External related factor

Market accessibility: this refers to the market demand for products to consumers are considered as a major factor for borrowers to sale the products to their loan on the proper time. The constraint micro-small business face is inadequate markets access due to unstable market value chains and over reliance on saturated and localized markets. Purchasing power is low; transport infrastructure is poor, and most micro-small business has no knowledge of markets beyond their immediate locality (Anthony, 2015). According to Kefale & Chinnan (2012), the most prevalent areas in which MSME have problems are sales or marketing, human resource management, and general management; they specifically reported promotion, marketing research and training as the most frequently encountered problems. Marketing problem has been widely acknowledged as being the most important of all activities and critical for the survival and growth of MSMEs. Accordingly, the positive sign expected for this variable.

1.2. Conceptual Framework of the Study

The conceptual model can be helpful in structuring the problem, identifying relevant factors and then providing the connections that make it easier to map and frame the problem. The conceptual model of this study was to examine the factors affecting loan repayments performance of MSMEs in Wolkite town Administration. From literature review, various empirical studies reviewed by the authors cite probable factors that affecting loan repayment performance. This study has focused on enterprises factors (enterprise education level, enterprises experience in the business, enterprise member size, loan amount and enterprises saving habits), Lender/MFI factors (training, follow up and supervision, loan interest rate and loan repayment period) and external factors (market accessibility) as an independent variables whereas loan repayment performance is a dependent variable, which is a measure of loan repayment performance and depends on the occurrences of the

stated independent variables.

The following model is estimated to depict the relationship between dependent and independent variable to solve the factors affecting loan repayment performance.

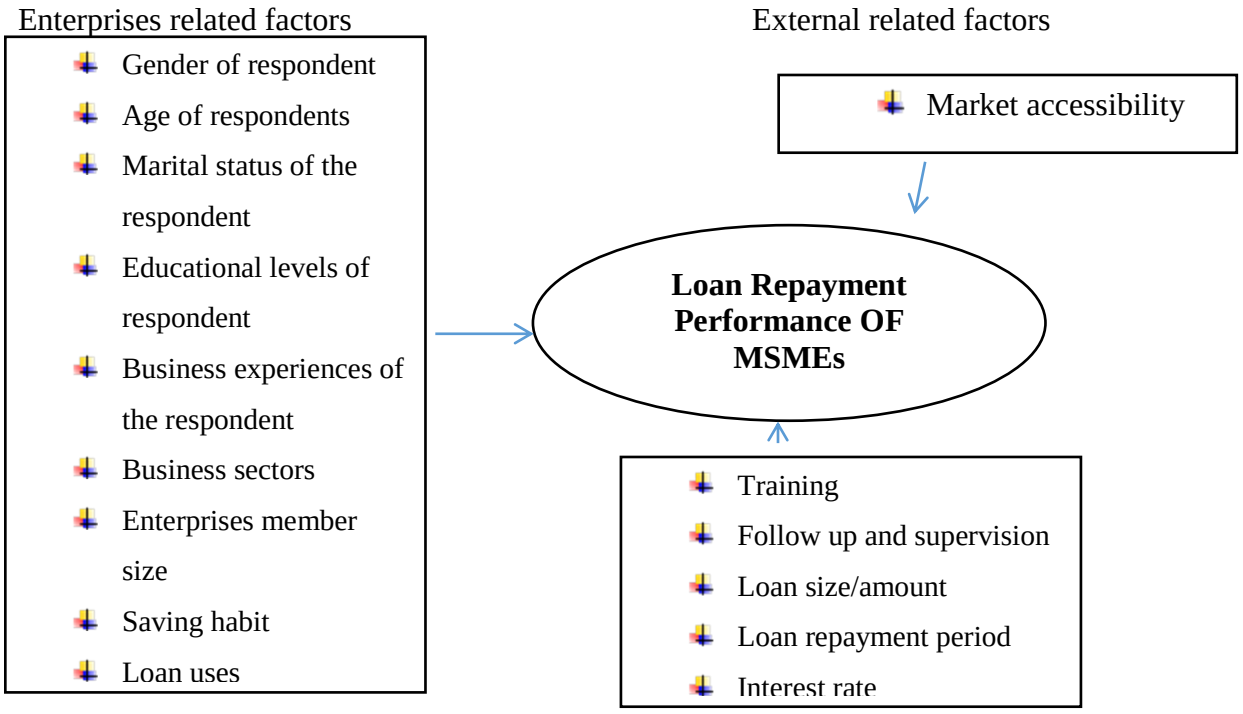


Figure 1 Figure 2.1 model is estimated to depict the relationship between dependent and independent variable

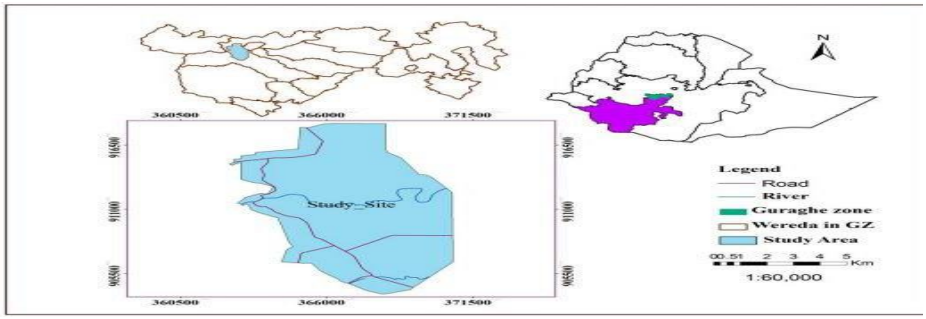
CHAPTER THREE

3 RESEARCH METHODOLOGIES

3.1 Description of the study area

Wolkite Town is one of the administrative Towns in Gurage Zone of Southern Nations, Nationalities and Peoples Region of Ethiopia. The Town is the administrative center of the Gurage zone, Kebena Woreda and Abeshge Woreda. Wolkite Town is bordered by Kabana Woreda in north, west, east and south-west, Abeshge Woreda in south-east and Cheha Woreda in south. It is located at 158 km from Addis Ababa on the main road to Jimma and 259 km from regional capital city of Hawassa. Administratively the Town is divided in to three Sub-town (Adis-kifleketema, Bakur-kifleketema and Gubre-kifleketema). The Town has a total area of 4,000 hectare, geographically Wolkite town

lies 37° 44′35" E to 37°48′45” E and 8°15′50"N to 8° 20′ 00" N. It lies between latitude of 8°17′N and longitude of 37°47′E with an elevation between 1910 and 1935 meters above sea level. The current estimated population of Wolkite town was 69,598 among this 35,890 were male 33,708 were female. (Statistical abstract document of Gurage zone 2009 E.C)



Source: Wolkite Town Administration Office 2018-SNNPR

Figure 2 Figure map of study area

3.2 Research design

This study has adopted by descriptive survey design and explanatory designs were utilized for both quantitative and qualitative data. This is because to assessed the problem on the basic belief that it should provide sufficient data that may enable to answer the basic question, and helps to examine the current conditions of factors that affect the repayment performance of MSMEs in Wolkite Town and further more to secure more information that is reliable from a large number of respondents.

Quantitative data were collected from primary sources by using structured questionnaires from the sampled respondents in relation to the enterprises related factors; lender or MFI related factors and external related factors that influence the loan repayment performance of MSME sectors. Whereas, the qualitative data were collected from various sources such as from concerned Government Officials, the OMFI, MSMEs, and National Bank of Ethiopia. In addition the study was employed explanatory research design to analyze the effects of independent variables on dependent variables on loan repayment performances of MSMEs in study area.

3.3 The target population of the study

The target population for this research was active borrowers of OMFI which are Micro, small and medium enterprises engaged in wolkite town. This population was categorized based on the sectors

in which they were involved in Manufacturing 64, Urban agriculture 45, Service 87, Construction 52, trade 67 and total of 315 MSMEs engaged in (2022) at the sectors.

3.4 Sample size determination

As mentioned in target population, the total enterprises of registered MSMEs engaged in Wolkite town were taken as a target population. These total study populations were categorized into different strata by using sectors which are Manufacturing 64, urban agriculture 45, Service 87, Construction 52, trade 67 in our study area and total of 315 active borrowers of MSMEs engaged in all sectors. Among this total population statically acceptable samples would be systematically selected as sample size. In order to determine sample size Yemane (1967) finite and large population sample size formula with 95% confidence level was employed. The formula used to obtain this sample size is presented bellow

$$n = \text{N}/1+\text{N}\ (e2)$$

Where: n= Number of sample taken

N= Population size

e = sampling error /level of precision.

Accordingly the target population results, the following samples

$$\boldsymbol{n = \frac{315}{1+315(0.05)2} = 176}$$

According to above formula this study was carried out on 176 respondents with proportional allocation of sample size to each sector, which includes manufacturing, urban agriculture, trade, construction and service. The confidence level applied to the study is 95%, N (population size) = 315, e (level of precision) = 5% and n =176. After the determination of sample size, the allocation of these sample size to each sectors of MSMEs in the study area was carried out through proportional allocation method of stratified random sampling. The proportional allocation method was originally proposed by (Bowley, 1926). In this method, the sampling fraction, n/ N is same in all strata. This allocation was used to obtain a sample that can estimate size of the sample with greater speed and a higher degree of precision. The allocation of a given sample size n to different stratum was done in proportion to their sizes. I.e. in the i th stratum (GUMA, 2012).

$$n_{i=n}\frac{Ni}{N}i$$

Where, n = represents sample size, Ni represents population size of the ith strata, N represents the

population size. Hence, N = 315 Ni = manufacturing (64), urban agriculture (45) and service (87), construction (52), trade (67) and n = 176 Sample sizes of **n***i* as under for each strata:

Table 2 sample size determination

No.	Types of Enterprise	Number of Enterprises	Sample Size taken(n*i*=*nNi/N*)
1	Manufacturing	64	36
2	Urban Agriculture	45	25
3	Service	87	49
4	Construction	52	29
5	Trade	67	37
	Total	315	176

Sources: researcher own constructs (2022)

3.5 Sampling technique

Sample Frame and Sampling procedure

The populations were grouped in to five strata and sample size was determined by proportional allocation in each strata. The target population were also categorized based on the sectors in which enterprises were engaged in the sectors of manufacturing, urban agriculture, service, construction, and trades. The list of Micro, small and medium enterprises registered in Wolkite Town enterprise and industry was taken as a sampling frame. The respondents were selected from each stratum by using simple random sampling technique. In addition to these, concerned bodies from town and OMFI officials would be taken as key informants judgmentally included in the sample to get extra and important information related to the issue by purposive sampling techniques

3.6 Type and Source Data

In this study both secondary and primarily data would be collected. Secondary data would be collected from published and unpublished materials such as books, journals, CSA, reports of Wolkite Town enterprise and industry development Office and OMFI. Quantitative primary data would be collected directly from respondents by using closed ended and open ended questioner and from members of MSMEs and qualitatively using non-structured interview with focuses group discussion (FGD) with town officials of Youth and enterprise Office and OMFI to supplement the data.

3.7 Data Collection Procedures

The instruments used in this study would be opened and closed ended questionnaires. The questionnaires would be prepared, piloted the draft questionnaire, and revised the questionnaire on the bases of criticism before starting data collection. The data from selected MSMEs would be collected by the help of eight trained experts of the Town. The researcher would be provided four day training to eight enumerators assigned to each sub-town by using well developed manual. The training would be focused on purpose and outcome of the study. Contents of the questionnaire and how to administer it and on clarity and appropriateness of questions were elaborated**.**

3.8 Data collection instruments

This study would be conducted by using questionnaire and documentary analysis as data gathering tools. The closed and open-ended questionnaire and structured interviews were formulated in connection with the study. The primary data from respondents of MSMEs members would be collected by using the closed and open-ended questionnaire. The questionnaires would be distributed for the MSMEs members and non-structured interview for Town Officials and OMFI officers. To implement the study both questionnaire and structured interview for all entrepreneurs of MSMEs would be designed in Amharic language for better communication and understanding.

3.9 Methods of data Analysis

After Proper information would be collected, it is processed in accordance with the outline and purpose of the study. First editing the collected data were examined to detect errors and omissions and to assure the data collected would be consistent with other facts. The data collected would be coded so as to reduce small closes efficient analysis. The row data would be classified and grouped to get meaningful relationship and finally the data would be grouped into similarities, tallying are used to facilitate the analysis.

The data or information obtained from different sources would be analyzed through descriptive statistical tools such as mean, frequency and percentages were used for comparing defaulters and non-defaulters in various explanatory variables. The Econometrics analysis, the binary logistic regression model was employed by using statistical software application/package for social science (SPSS version 20). The information would be presented in graph, charts, tables, percentage and other methods on the bases of their applicability.

3.10 Reliability and Validity of the Study

A pilot test was conduct to pretest and validate the questionnaires. This is important to the researcher to refine the questionnaire so that the respondents cannot have a problem in answering the questions. It also helps the validity and the likely reliability of the data that was collected. To enhance the content validity the researcher sees the opinion of department manager and loan supervisor. Reliability was established through test-retest method whereby questionnaires were administered twice to the same group of respondents. A time lapse of one week was allowed before the questionnaires were administered again.

3.11 Econometric Model Specification

To examine factors affecting loan repayment performance of MSMEs, the binary logistic regression model would be used to examine the effects of each factor such as enterprises, lending institution and external factors on loan repayment in the study area. This model is selected due to the nature of dependent variable of loan repayment which is dichotomous taking on two values 0 and 1, which is 0 if the enterprisers is a defaulter and 1 if the enterprises is non-defaulter, the dependent variable is dummy variable with only two categories 0 and 1 respectively. According to (Solomon, 2013), the estimation dichotomous values require the use of qualitative response models and the non-linear probability models, logit and probit models are the possible alternatives. However, several estimation problems arise particularly when Ordinary Least Squares (OLS) regression and linear probability models are employed (Aldrich and Nelson, 1984). The OLS regression technique, when the dependent variable is binary, produces parameter estimates that are inefficient and a heteroscedastic error results in the structure. Consequently, hypothesis testing and construction of confidence interval become inaccurate and misleading. Likewise, a linear probability model may generate predicted values outside the 0-1 interval, which violates one of the basic tenets of probability. To alleviate these problems and produce relevant empirical outcomes, the most widely used qualitative response models are the logit and probit models (Amemiya, 1981). The probit probability model is associated with the cumulative normal probability function, whereas, the logit model assumes cumulative logistic probability distribution. In this study the binary logistic regression model were used to examine the relationship between the independent variables and dependent variable (loan repayment performance of MSMEs).The justification for using binary logistic regression model was, its simplicity of calculation and its probability lies between 0 and 1(two categories). Moreover, its

probability approaches zero at a slower rate as the value of explanatory variable gets smaller and smaller, and the probability approaches 1 at a slower and slower rate as the value of the explanatory variable gets larger and larger (Gujarati, 2004). Hosmer and Lemeshew (1989) pointed out that the logistic distribution function (logit model) has got advantage over the others in the analysis of dichotomous outcome variable in that it is extremely flexible and easily used model from mathematical point of view and results in a meaningful interpretation. Hence, the logistic or logit model would be selected for this study. In this study, since only two Options are available namely repayment-defaulting loan or (none loan defaulting) a logit model is set up to define Y=1 for situation where MSMEs repay loan to lender and Y=0 for situations where MSMEs did not repay the loan to lender.

According to Gujarati, (2004), cumulative logistic probability distribution model for this study is economically specified as follow:

$$P_i (Y_i = 1|X_i) \text{ --- } \quad (3.1)$$

Where, Pi is the probability that MSMEs repay loans on time. Y represents the dependent variable, which is loan repayment performance; Xi represents the ith explanatory variables. For simple description, we write equation (1) as follow: Therefore, the logistic regression model in this study can be specified as:

$$Y_i = \alpha + \beta_1 X_1 + \beta_2 X_2 + \ldots + \beta_n X_n + U_i \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \ (3.2)$$

Where: Yi is a dependent variable (the observed variable, representing the proportion of loan repayment); X1 …Xn are independent variables; β1….βn are the slope coefficients; α is Constant (intercept) and Ui is error term. Finally employed model has the following form:

$$LRP = \alpha + \beta_1 X_1 + \beta_2 X_2 + \ldots + \beta_n X_n + U_i \text{--} \ (3.3)$$

Where, LRP – refers to the loan repayment performance of MSME sectors while the symbols of independent variables already explained. Ui- error terms in the study, α - refers to the intercept (Constant) and β1, β2, β3 ------ βn refers to coefficients of the parameters to be estimated (Agresti, 2007).

3.12 Econometric model test

3.12.1 Goodness-of-Fit Test

A goodness of fit test, in general, refers to measuring how well do the observed data correspond to the fitted (assumed) model. The measure of goodness-of-fit test used in the logit regression model was the pseudo R2, Chi-square and p- value of the model output. In such away, pseudo R2 is a measure that at least lies in the [0, 1] interval (Windmeijer, 1995). Usually the value found in range 0.1 up to 1 is normal in logit regression model (Pindyck & Rubinfeld, 1998). The most common measure is the Model Chi-square, which can be tested for statistical significance. This is an omnibus test of all of the variables in the model. Note that the chi-square statistic is not a measure of effect size, but rather a test of statistical significance. Larger data sets will generally give larger chi-square statistics and more highly statistically significant findings than smaller data sets from the same population.

3.12.2 Multicollinearity Test

Before running a model, in our case the logit, explanatory variables would be checked for Multicollinearity (Verbeek, 2008). When the independent variables were correlated, it was regarded as a problem in the model and this problem is called Multicollinearity. Since, Multicollinearity is a problem when the explanatory variables logit model is highly correlated and provides redundancy information about the response. The existence of Multicollinearity in the model may cause large variance, large T-value and misleading results (Hosmer &Lemeshow, 1980). Thus, the two popular methods that used to detect the presence of Multicollinearity are Variance Inflation Factor (VIF) and Tolerance (TOL) that calculated as follows. VIF = $\frac{1}{1-Ri^2}$, TOL=1-Ri^2

Where, R^2 is calculated by analyzing the independent variables in the model using SPSS software, as the common rule of Verbeek indicates that if VIF is 10 or greater than 10 and a TOL of 0.10 or less it may indicate the presence of Multicollinearity otherwise free from the problem.

3.12.3 The Link Test in the Model

The link test used to measure the relationship between the dependent and independent variables in the model by analyzing Prob> F, P>t, hatsq and etc. in order to test the significance and the fits of the model (Gujarati, 2004).

Table 3 Description of study variables

Variables description	Symbols	Types	Unit of measurements
Loan repayment performances	LRP	Dummy	0=Defaulters, 1=Non defaulters
Genders of respondents	GEN	Dummy	1=Male, 0=Female
Age of respondents	AGE	Continuous	Number in years
Marital status	MS	Dummy	1=married,0=others
Respondents educational level	EDL	Categorical	0=prymary,1=secondary3-diploma 4=degree

Enterprises business sectors	EBS	Categorical	0=manufacturing,1=construction ,2 trade,3=services,4urban agriculture
Business experiences	BEX	Interval scale	Number in year
Members size	MES	Interval scale	Number of person
Loan size	LS	continuous	Amount in birr
Saving habit	SH	Dummy	1=having saving habit,0=no saving habit
Training	TR	Dummy	1=getting training,2 not getting training
Follow up and supervision	FS	Dummy	1=adequate follow up,0=not adequate follow up
Loan interest rate	LIR	continuous	Interest rate charged by percentage/IR 1reseonable 0 not
Loan repayment period	LRP	Dummy	1=YES 0 =NO
Market accessibility	MA	Dummy	1=existence of market access,0=if no market existence

CHAPTER FOUR: - RESULTS AND DISCUSSION

4.1. Introduction

This study aimed to assess factors affecting loan repayment performance of micro, small and Medium-sized enterprises in Wolkite town. How far, the researcher creates awareness by using experts for the enterprises about the purposes of the study to maintain quality of data. The study was employed by using simple random and stratified sampling technique to select respondents from sectors of enterprises. A total of 176 questionnaires were distributed across the all sectors and all levels of MSMEs, out of which 176 were completed and retrieved successfully, representing 100% response rate fulfilled by the respondents. The collected data analysis has been conducted to address the main and specific objectives of the study. This part was divided in to three main sections. The

first section present about demographic related factors of loan repayment performances of MSMEs in study area. The second section descriptive statistics of loan repayment performances MSMEs with different variables were presented. The last section the econometric specification of the model and their respective tests were conducted. Finally discussion about the results and interpretation of independent variables were identified as factors affecting loan repayment performances of MSMEs were explained. Generally this chapter presents the result from the descriptive and econometric analyses.

The descriptive analyses made by using statistical tools such as; tables, percentages, mean and frequency distribution. Econometric analyses was conducted by using logistic regression model in order to identify the most important factors affecting loan repayment performances and measure the important significant explanatory variables effects on dependent variables.

4.2. Descriptive Analyses

In this section firstly present demographic related factors that affecting loan repayment performances of micro, small and medium enterprises such as; gender, age, marital status, and educational level, nature of business sectors were presented. Second the lender related factors and external related factors that affect loan repayment performances of MSMEs were analyzed. Therefore the descriptive statistics results were summarized in table 4.1.

4.3 Loan repayment performance in the study area

The descriptive statistics for loan repayment performances in this study revealed that the overall performance of loan repayment was **44/176 (25%)** means they repaid their loan or from total disbursed 38% on average were repaid and the remaining **132/176 (75%)** MSMEs were defaulter or they did not repay loan on a given maturity date. When comparing this result with a ten year reports in the study area indicates that our result higher performance that is 16.94% were repaid their loan a

given maturity whereas 83.06% were defaulter in this report which was higher than this study. The difference was may be sample size difference. (See appendix).

Table 4.1 Socio-demographic characteristics of respondents MSMEs in Wolkite Town Administration, 2022

Variables (dummy variables)		Defaulter(132)		Non defaulter(44)		Total(176)		χ^2value	P value
variable	category	Friq	Perc	Freq	Perc	Freq	Perc		
Gender	Male	96	77.4%	28	63.6	124	70.45	1.310	.252
	Female	36	27.3	16	36.4	52	29.5		
Age	18-25	19	14.4	3	6.8	22	12.5	14.87	
	26-35	76	57.6	17	38.6	93	53		

	36-44	34	27.5	16	36.3	50	28		
	>45	3	2.3	8	18.2	11	6.5		.002
Marital status	Married	86	65.2	35	79.5	121	68.75	2.071	
	Un married	42	31.8	9	20.5	51	29		
	Widows	4	3	0	0	4	2.25		.150
Education level	Primary	29	22	5	11.4	34	19.5	3.353	
	Secondary	54	41	19	43.2	73	41.5		
	Diploma	39	29.5	14	31.8	53	30		.340
	Degree	10	7.5	6	13.6	16	9		

Sources researcher own survey data 2022

4.4 Demographic related factors of loan repayment performance

1 Gender status of sampled MSMEs

This is important to know sex category of the respondents along with their involvement, management and participation of owners of Micro Small and medium Enterprises. From the total of sample, 124(70.5%) were male and the remaining 52(29.5%) were female. About 96 (77.4%) male were defaulters and 36 (27.3%) female respondents were defaulters. The result indicated that higher defaulter rate in male gender but the difference is not statistically significant. On the other hand the result showed that 28(63.6%) and 16(36.4%) were non defaulters of male and female respectively. The chai square test indicated that the proportion difference between defaulters and non-defaulters in terms of sex were statistically insignificant at 5% significant level. As shown in fig 4 above

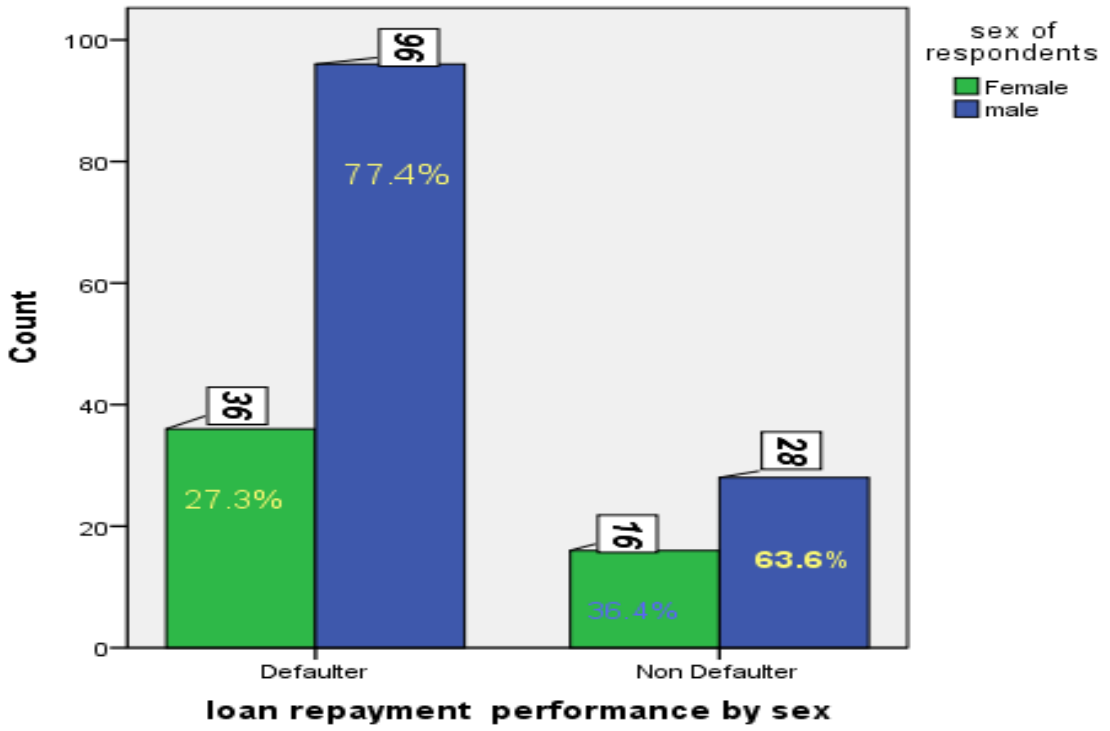


Figure 3 Loan repayment performance by sex (Sources: researcher own constructs (2022))

2 Age of sampled MSMEs member

When considering age composition of study respondents 25(14.2%) were aged between 18 and 25 years old, whereas 84(47.7%) respondents were 26-35 years age group, 55(31.3%) respondents were age between 36 and 44 years and the remaining 12(6.8%) were aged greater than 45 years old.

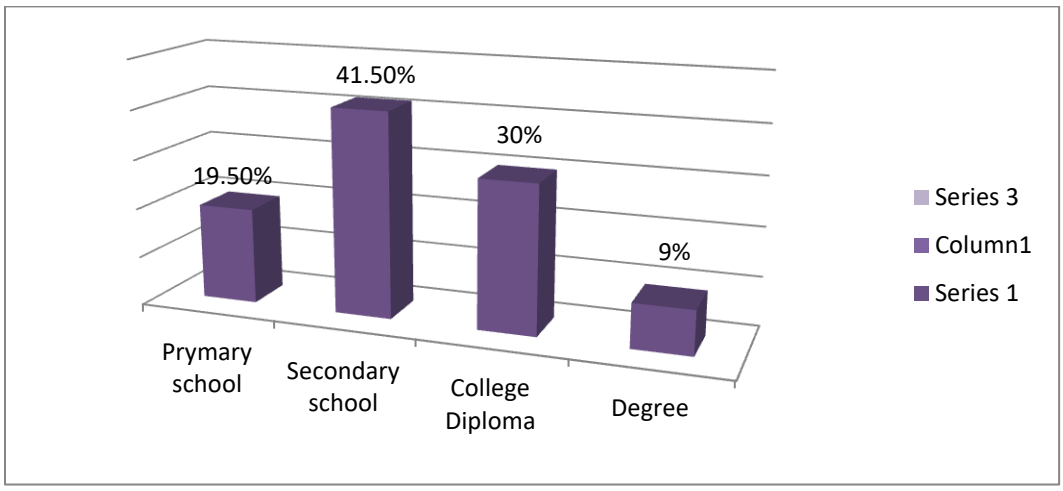
From the total age of respondents, 19(14.4%) were between 18 and 25 years old, 76(57.6%) were between 26 and 35 years old, 34(27.5%) were between 36 and 44 years old and the 3 (2.3%) were greater than 45 years old were defaulters respectively. While 3(6.8%) were between 18 and 25years old, 17(38.6%) were between 26 and 35 years old, 16(36.3%) were between 36 and 44 years old and the remaining 8(18.2%) were greater than 45 years old were non defaulters respectively. This result indicates that most of the defaulters were young aged group rather than other aged group in the study area but the chi-square result revealed that the deference between two groups is statistically significant as summarized in table 4.1.

3 Marital status of respondent

As summarized in table 4.1 the marital status of sampled respondent showed that about two thirds 121(68.75%) of the respondents were married, 51 (29%) of respondents were single and the remaining 4 (2.25%) were widowed. About 86 (65.2%), 42(31.8%) and remaining 4(3%) were married, single and widowed defaulters of respondent respectively. While 35(79.5%), 9 (20.5%) were married, single non defaulters of respondents respectively. As the result showed that married respondents were more defaulter than others but the mean deference between the two groups in terms of marital status was statistically insignificant at 5% significant level.

4 Educational levels of sampled respondent

The respondents were asked to indicate the educational status from the study, it was established that from the total sampled respondents 34(19.5%) attending primary school, 73(41.5%) were attending secondary school, 53(30%) respondents were attending college diploma and the remaining 16(9%) were having higher education level as indicated in fig 4. About 29(22%), 54(41%), 39(29.5%) and the remaining 10(7.5%) of the respondents were attending primary, secondary, college diploma and higher education level were defaulters. While 5 (11.4%), 19 (43.2%), 14 (31.8%) and 6 (13.6%) of respondents attending primary, secondary, college diploma and higher education level were Non defaulters. This study reveals that most of the owners of enterprises have attained secondary education were high defaulters than other education levels in study area. The chi-square result showed that the mean deference between the two groups in terms of educational status was statistically insignificant at 5% significant level as summarized in table 4.2.



Sources: researcher own constructs (2022)

Figure 4 Figure Educational status of respondent

Table 4.2 Enterprises related factors

Variables	Category	Defaulters(132)		Non defaulters(44)		Total1(76)			
		Frequency	Percent	Frequency	percent	frequency	Percent	Chi-square	P value
Position of members in msme	Manager	91	69	28	63.7	119	67.6		
	Vice-manager	26	19.6	12	27.3	38	21.6		
	Secretary	15	11.4	4	9	19	10.8		
Enterprises business sectors	Manufacturing	27	20.5	9	20.5	36	20.45	4.476	
	Construction	24	18.2	5	11.5	29	16.5		
	Trade	28	21.2	9	20.5	37	21		
	Services	32	24.2	17	38.5	49	27.8		.345
	Urban-Agriculture	21	15.9	4	9	25	14.2		
Enterprises member size	1-5	76	57.6	27	61.4	103	58.5	.218	
	6-10	47	35.6	14	31.8	61	34.7		
	>10	9	6.8	3	6.8	12	6.8		.897
Enterprises saving habit	Yes	69	52.3	34	77.3	103	58.5	8.4	
	No	63	47.7	10	22.7	73	41.5		.100
Loan uses for intended purpose	yes	56	42	37	84	93	52.8	23	0.000
	no	76	57.6	7	16	83	47.2		

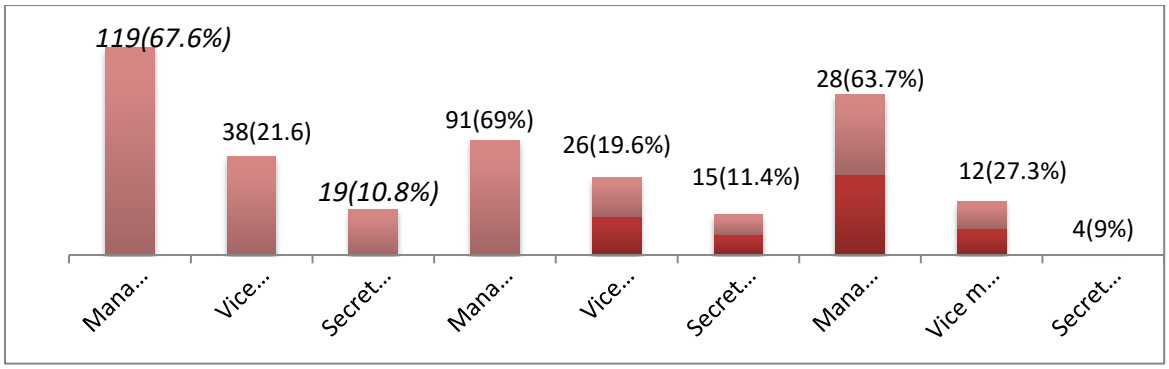
Sources: - researcher own survey 2022

4.5. Loan repayment performance according to enterprises related factors

In this study different enterprises related factors were tested by using chi-square test and described as follow

Position of member respondents in the enterprises

Respondents who were participated in the study composed of manager, vice manager and secretary. In the above tables 4.2 indicates that 119(67.6%), 38 (21.6%) and the remaining 19 (10.8%) of the respondents were managers, Vice managers and secretary respectively. From the total respondents 91(69%), 26 (19.6%) and 15(11.4%) were managers, Vice managers and secretary respectively were defaulters. While 28(63.7%), 12 (27.3%) and 4(9%) were managers, Vice managers and secretary respectively were non defaulters



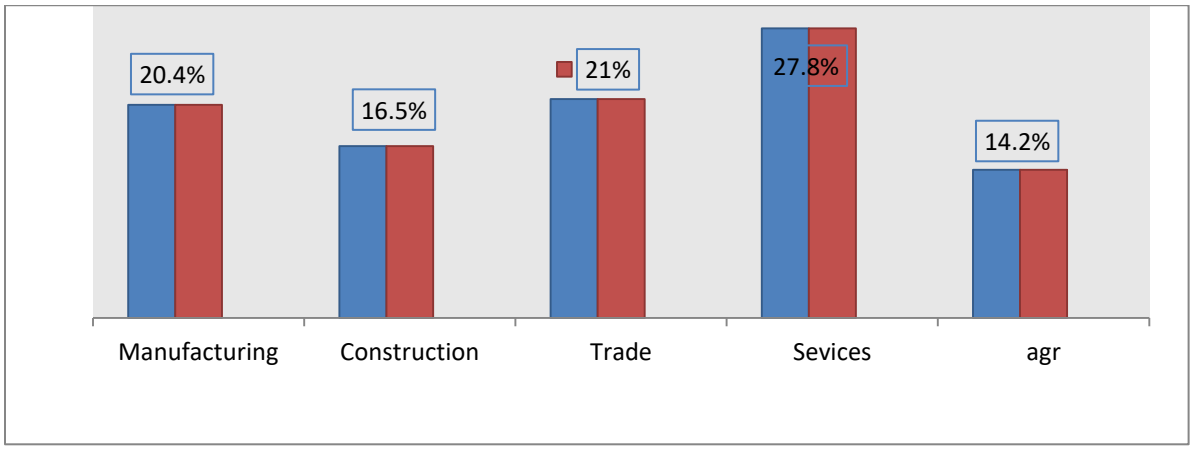
Sources: researcher own constructs (2022)

Figure 5 Figure enterprises member position in their business

Enterprises business sectors

Enterprises business sectors was one of the explanatory variable as indicated the above table 4.2, 20.45% (36), 16.5% (29), 21% (37), 27.8% (49), and 14.2% (25) of the respondents were replied manufacturing, construction, trade ,services and the last urban agriculture respectively. About 27 (20.5%), 24(18.2%), 28(21.2%), 32(24.2%) and 21(15.9%) were manufacturing, construction, trade; services and the last urban agriculture were defaulters respectively. While, 9(20.5%), 5(11.5%), 9(20.5%), 17(38.5%) and 4(9%) were replied manufacturing, construction, trade, services and the last urban agriculture were non defaulters respectively. The chi-square result indicated that the difference between two groups was statistically insignificant in terms of enterprises bussiness sectors.

Figure 6 Figure Enterprises business sectors



Sources: researcher own survey (2022

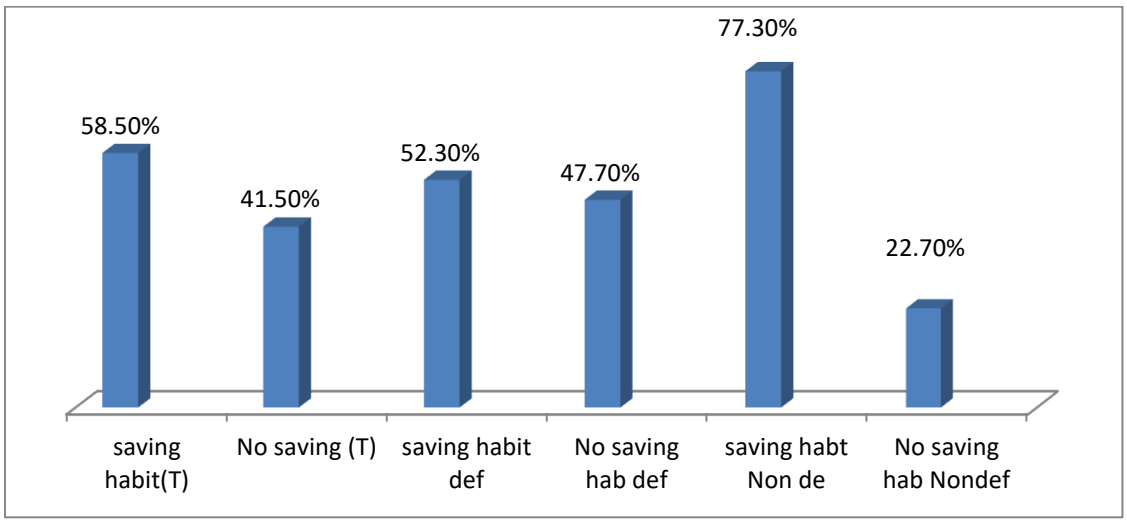
Enterprises member size

As indicated the above table 4.2, From total sample of respondents were replied their members size, 58.5% (103) were 1-5 members, 34.7% (61) were 6-10 members and the remaining 6.8%(12) respondents replied that their enterprises members size were greater than 10. About 57.6 %(76) were replied enterprises member size was 1-5 members, 35.6 % (47) were replied enterprises member size 6-10 and 6.8%(9) were replied >10 members were defaulters. While 61.4% (27) of them were replied 1-5 members, 31.8% (14) replied enterprises member size were 6-10 and 6.8% (3) greater than ten were non defaulters. This tables shows that, enterprises whose member size were one up to five members were more defaulters than others enterprises members. This figure also indicates that the enterprises member size was categorized in micro and small level of enterprises. The chi-square result indicated that difference between the two groups statistically insignificant in terms of enterprises members' size.

Enterprises saving habit

In the above tables 4.2 indicates that saving habit of MSMEs in wolkite town Administration, from the sampled respondents 58.5% (103) have their own saving habit and 41.5% (73) did not have saving habit in study area. While 69% (52.3) those have saving habit of defaulters and 47.7% (63) of the respondents have no saving habit. While 77.3% (30) those have their own saving habit of non-defaulters and 22.7% (10) did not have saving habit in study area.

This result showed that majority of MSMEs who had saving habit been more loan defaulter than enterprises that did not had saving habit. The chi-square result indicated that saving habit was statistically insignificant between two groups in terms of saving habit in study area.



Sources: researcher own survey (2022)

Figure 7 enterprises saving habit

Loan uses for intended purpose: - As shown in table 4.3, Out of total respondents (93) 52.8% of them had used loan for intended purpose, while 83 (47.2%) of them did not used loan for intended purpose. Among the defaulter, 56 (42.4%) had used loan for intended purpose, and 76 (57.8%) did not used loan for intended purpose. while from non-defaulters 37(84%) of them used loan for intended purpose and 7(16%) of them did not used loan for intended purpose. The chi-square test result indicated that the mean difference between the two groups in terms of loan uses for intended purpose was statistically significant at 5% significance level.

4.6. Lender related and external factors that affect loan repayment performances of MSMEs

In this section loan repayment performance with lender related factors were explained

Loan size (LS)

The mean average loan size of MSMEs in study area was 137,850 birr. The largest loan amount was 197,000 birr and the smallest was 15,000 birr. The average loan size of non-defaulters was 133,545.4 birr while that of defaulters was 138,915.625birr. Enterprises asked to indicate the sufficient loan size provided from OMFI. Majority of the enterprises replied loan provided from OMFI was sufficient 132(75%) and the remaining 44(25%) were replied loan amount was not sufficient. About 100(75.75%) of respondents were replied sufficient loan size and the remaining 32(24.25%) of them were not sufficient loan amount were defaulters. While from non-defaulter 32(72.7%) were replied sufficient loan size and the remaining 12(27.3%) of them replied loan provided was not sufficient. This result revealed that enterprise borrowed sufficient loan amount were more defaulters than enterprises borrowed insufficient loan size. The chai square test indicated that the proportion difference between defaulters and non-defaulters were statistically insignificant in terms of sufficient loan size as indicated in table 4.3.

Training (TR):

As shown in table 4.3, Out of total respondents only (103) 58.5% of them had taken training from OMFI, while 73 (41.5%) of them did not take any training from financial institution. Among the defaulter, 70 (53%) had taken training, and 67 (47%) did not had taken any training. while from non-defaulters 33(75%) of them had taken training and 11(25%) of them did not take any training from the lender. This result showed that enterprise who had taken training from microfinance was more defaulter than enterprises who did not taken training had taken from microfinance institution. The chi-square test result indicated that the mean difference between the two groups in terms of training was statistically insignificant at 5% significance level.

Follow up or supervision (FS):

Regarding continuous follow up and supervision as shown table 4.3, 52(29.5%) respondents had got follow up and supervision, while 124 (70.5%) respondents did not have follow up and supervision Among defaulters, 19 (14.4%) of them had got follow up and supervision, while 113(85.6%) of them did not have follow up and supervision. From non-defaulters, 33(75%) of them had got followed up and supervision and 11(25%) of them did not have follow up and supervision. The chi-square result reveals that the mean difference between the two groups in terms of follow up and supervision was statistically significant at 5% significance level **p**=0.001 This result revealed that, enterprises did not have followed up and supervision was more loan defaulters than enterprises had got continuous follow up and supervision. This also shown us high follow up or supervision undertaken by loan officer of OMFI helps to improve loan repayment and it decreases the probability of default

Loan interest rate (LIR)

The mean average of loan interest rate of MSMEs was 10.42% with the minimum and maximum percentages of 5 and 18%, respectively. The average loan interest rate charged for non-defaulters was 13.07% while that of defaulters was 13.13 %. The respondents were asked to state the interest rate charged was reasonable as showed in Table 4.3, 87(49.4%) of the respondent replied interest rate charged by the institution was reasonable, while 89(50.6%) of them replied not reasonable. From defaulters 60(45.5%) respondents said loan interest charged by lending institution was reasonable and 72(54.5%) of them were replied interest charged by lending institution was not reasonable. While from non-defaulters 27 (61.4%) of the respondents said loan interest charged by lending institution was reasonable and 17 (38.6%) of them said interest charged by lending institution was not reasonable. The chi-square result reveals that the mean difference between the two groups in terms of reasonable interest rate was insignificant at 5% significance level as summarized in table 4.3

Loan Repayment Period (LRMP):

Based on above table 4.3, from the total sample of enterprises, (50) 28.4% were replied loan that repayment period was suitable and (126) 71.6% respondents were replied loan repayment period was not suitable. From defaulters about 18(13.6 %) of those who were replied loan repayment period was suitable and 114 (86.4%) of them were replied that loan repayment period was not suitable, while from non-defaulters 32(72.7%) of those who were replied loan repayment period is suitable and 12(27.3%) of those who replied loan repayment period was not suitable as summarized in table 4.3.

According to this result, enterprises those replied that loan repayment period were not suitable were more loan defaulters than respondent those loan repayment period was suitable. The chi-square test showed that the difference between the two groups was statistically significantly affected at 5% significant level in terms of loan repayment period as summarized in table 4.3.

Market accessibility (MA):

The result from analysis of the market accessibility of MSMEs showed in Table 4.3, from the total respondents 66 (37.5%), have market accessible for their product and services. While, 110 (62.5%) of them did not have market accessible for their product and services. From the defaulters about 28(21.2%) had market accessibility and 104(77.8%) of them did not have market accessible for their products services. While from non-defaulters 38(86.4%) of them had market accessibility and 6 (13.6%) of them had no market accessibility. This result showed that enterprises have not market accessible for their product and services were more loan defaulters than enterprises have market accessible for their product and services. This also shown us the insufficient market demand for products or services, near to customers and inappropriate modes of distributing, pricing and promotion were discourage loan repayment and it increases the probability of default by MSMEs sectors in the study area. The chi-square indicates that there was statistically significantly difference between two groups at 5% significant level in terms of market accessibility as summarized in table 4.3 below.

Table 4.3 Lender related factors

Variables	Category	Defaulter(132)		Non defaulter(44)		Total(176)			
		Frequency	Percent	Frequency	Percent	Frequency	Percent	Chi-square	P value
Loan amount to enterprises	Yes	100	75.75	32	72.7	132	75	162	.688
	No	32	24.25	12	27.3	44	25		
Reasonable Loan interest rate	Yes	60	45.5	27	61.4	87	49.4	3.341	.068
	No	72	54.5	17	38.6	89	50.6		
Loan repayment period	Yes	18	13.6	32	72.7	50	28.4	56.65	.000
	No	114	86.4	12	27.3	126	71.6		
Training provided by OMFI	Yes	70	53	33	75	103	58.5	6.5	.130
	No	62	47	11	25	73	41.5		
Follow up and supervision	Yes	22	16.7	36	81.8	58	33	58.23	.000
	No	110	83.3	8	18.2	118	67		
Market	Yes	34	26	40	91	74	42	59.76	0.001
	No	98	74	4	9	102	58		

Sources: - researcher own survey (2022)

4.7. The econometrics model tests result and analysis

4.4.1 Model specification test

Before extracting the factors of the explanatory variables, reliability assessment were conducted by testing various types of tests that the model need in order to ensure that the variables comprising each factors are highly reliable and internally consistent (Hair et al.,1998, cited in Cheng and Choy,2007).

4.4.2 Goodness of test of the model

The measure of goodness of test used in logistic regression model was pseudo R^2, Chi-Square and P value of the model output. In such way, pseudo R square is measure that at least lies in the (0, 1) interval (Windmeijer, 1995). Usually the value found in range 0.1 up 1is normal in logistic regression model (Pindyck and Rubinfeld, 1998). As shown in table 4.6 below the model output showed that pseudo R square, Chi-Square and P value were 54.1%, 137.229 and 0.000 respectively. This reveals that the logit model was correctly predicted by the predicting variables incorporated in this study. Thus, the probability that the loan repayment performances of micro, small and medium enterprises sectors assumed that the proportion of statistical parametric value were suited with the model and tried to be answered by using SPSS version 20 soft were application.

4.4.3 Multicollinearity Test

Before running the model, in our cases the logit, explanatory variables would be checked for Multicollinearity (Verbeek, 2008). When the independent variables are correlated, it is regarded as the problems in the model and this problem is called Multicollinearity. Since, Multicollinearity is problems when the explanatory variables in logit model is highly correlated and provides redundancy information about the responses. The existence of Multicollinearity in the model may cause large variances, large p-value and misleading result (Hosmer, and Lemeshow, 1980). Thus the two popular methods which used to detect the presences of Multicollinearity are variance inflation factor (VIF) and tolerances (TOL) that calculated as follow VIF=1/1-R2 and TOL=1-R2 the common rule of Verbeek indicates that if VIF is 10 or greater than ten and TOL of 0.10 or less it may indicate the presences of Multicollinearity otherwise free from the problem.

4.4.4 The link tests

The link test is conducted for specific types of models specification error by evaluating the statistical measurement. As indicated result shows that prob>F=0.000,P>t=0.000 shows that the model fit well and significant as well as lower hatsq(60.713[a]) indicates that the lower the link error among the dependent and independent variables and it is insignificant which means that there is no miss-specified variables in the model.

4.5 The binary logistic regression model result

In dummy variables regression model, it is assumed implicitly that the dependent variable Y is categorical/quantitative/ whereas the explanatory variables either quantitative or qualitative. There are certain types of regression model in which the dependent variables or response variables is dichotomous in nature, taking 1 or 2 value. In this study micro, small and medium enterprises (MSMEs) in study area are assumed to be either defaulter or non-defaulter depending on the loan repayment rate performances. This stands for 1 if the enterprises were defaulters and 2 if the enterprises were non-defaulters. Therefore, loan repayment performances treated as dichotomous dependent variable.

A loan repayment performance is non-continuous dependent variable that does not satisfy the key assumption in the linear regression analysis. When the dependent variable to be modeled is limited in its ranges using ordinary least square (OLS) may result in biased and inconsistent parameter estimates. To examine the factors affecting loan repayment performances, discrete choice model should be used. Thus the most widely used and appropriate quantitative response model is the logit and probit model (Verbeek, 2008). Hosmer and Lemeshew (1989) pointed out that the logistic distribution function (logit model) has got advantages over the others in the analysis of dichotomous outcome variables in that it is extremely flexible and easily used model from mathematical point of view and the results in meaning full interpretation. For this reason the logistic or logit model was employed for this research.

The summary statistic of the variables in the model

The summary statistic of both the dependent and independent variables in the model were presented as follows

Table 5 Block 0: Beginning Block

Classification Table[a,b]

Classification Table[a]

Observed			Predicted		
			loan performance categorical data		Percentage Correct
			Defaulter	Non Defaulter	
Step 1	loan performance categorical data	Defaulter	127	5	96.2
		Non Defaulter	8	36	81.8
	Overall Percentage				92.6

b. The cut value is .500

The above table 6 indicates that the percentage accuracy in the classification is 96.2% which reflects that the percentages of cases that can correctly classified as "defaulter" loan default with the independent variables added and the remaining 81.8% were non default classification. The estimated probability of the event occurring is greater than cut value 0.5or 50%. The result from the above tables shows that loan default was occurring by greater than 50% out of 100%.

Table 6 Table 4.3 Omnibus Tests of Model Coefficients

Omnibus Tests of Model Coefficients

		Chi-square	Df	Sig.
Step 1	Step	137.229	23	.000
	Block	137.229	23	.000
	Model	137.229	23	.000

The Omnibus test of model coefficients is used to check that the new model (with explanatory variables included) is an improvement over the base line model. It use the chi-square tests to see if there is significant difference between the log-likelihoods (specifically the -2LLs) of the base line model and the new model. If the new model has significantly reduced -2LLcompared to the base line

then it suggest that the new model is explaining more of variance in the outcome (Laerd, 2017).The logistic regression model was statistically significant chi-square (23)=137.23,n=176,P=0.000 this indicates that the model was able to identify factor affecting for loan default.

Table 7Table 4.4 Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	60.713[a]	.541	.802

a. Estimation terminated at iteration number 8 because parameter estimates changed by less than .001.

The model summary of table 8 provide that the -2LL and pseudo R2 value for the full model. The -2LL value for this model (74.327) is what was compared to the -2LLH for the previous null model in the omnibus test of model coefficient which told us there was a significant decrease in the -2LL,that is our new model (with explanatory variables) is significantly better fit than null model. The pseudo R2 value tells us approximately how much variation in outcome is explained by the model. The model explains between 54.1% and 80.2% of the variance in the dependent variable is explained by independent variables.

Table 8 **Table 4.5 Hosmer and Lemeshow Test**

Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	1.049	8	.998

As shown on the Hosmer & Lemeshow test, the goodness of fit suggests the model is a good fit to the data as p=0.998 > (.05)

Table 9 Table 4.6 Variables in the Equation

Maximum likelihood in logistic regression model, n=176,x2(23)=137.23,p=0.00, Pseudo R2 value =50.5%, Log likelihood =-74.327

Variable in equation

		B	S.E.	Wald	Df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	**upper**
Step 1	sex(1)	-.073	.850	.007	1	.931	.929	.176	4.917
	marital(1)	.030	1.006	.001	1	.976	1.030	.143	7.405
	Education			.732	3	.866			
	education(1)	1.218	1.815	.450	1	.502	3.379	.096	118.469
	education(2)	1.428	1.719	.690	1	.406	4.171	.144	121.200
	education(3)	.980	1.756	.311	1	.577	2.664	.085	83.192
	EBE			3.135	2	.209			
	EBE(1)	1.807	1.688	1.146	1	.284	6.090	.223	166.398
	EBE(2)	2.821	1.631	2.993	1	.084	16.791	.687	410.248
	EBS			6.138	4	.189			
	EBS(1)	2.460	1.706	2.078	1	.149	11.705	.413	331.826
	EBS(2)	2.682	1.829	2.150	1	.143	14.611	.406	526.413
	EBS(3)	3.839	1.738	4.880	1	**.027**	46.468	1.542	1400.407
	EBS(4)	.863	1.619	.284	1	.594	2.371	.099	56.585
	EMS			1.823	2	.402			
	EMS(1)	-2.3	1.995	1.368	1	.242	.097	.002	4.838
	EMS(2)	-1.3	1.887	.527	1	.468	.254	.006	10.267
	SH(1)	.864	.960	.810	1	.368	2.373	.361	15.575
	IR(1)	-.243	.917	.070	1	.791	.785	.130	4.734
	SLS(1)	1.926	1.049	3.375	1	.066	6.865	.879	53.612
	LRP(1)	2.45	1.016	5.812	1	**.016**	11.587	1.581	84.917
	TR(1)	.40	1.057	.146	1	.703	1.497	.189	11.875
	FS(1)	3.6	1.140	9.993	1	**.002**	36.759	3.934	343.475
	MA(1)	4.6	1.132	16.860	1	**.000**	104.501	11.359	961.420
	age(1)	4.3	2.795	2.382	1	.123	.013	.000	3.205
	age(2)	5.04	2.448	4.239	1	**.040**	.006	.000	.785
	age(3)	3.3	2.304	2.074	1	.150	.036	.000	3.312
	Constant	8.08	3.303	5.992	1	.014	.000		

After adjusted by different variable was tested by variat analysis and those variable, the P value 0.05 were subjected or entered to binary regression analysis so, after adjusted for confiding factors, binary logit regression was performed to identify significantly associated factors in regression analysis.

As shown in the table 4.6 out of total 14 independent variables which were hypothesized to affect loan repayment performances four of them were found to be statistically significant affect loan repayment performances. These were age, loan repayment period, follow up and supervision, and enterprises business sectors (services) and market accessibility made a statistically significant category when the p value (sig.) is less than 0.05, for each of the coefficient in the logistic regression model. The remaining variable such as training, saving habit, gender, education level, marital status, enterprises member size, loan size, interest rate can affect loan repayment performances positively or negatively but their impact on loan repayment performances was insignificant.

The Exp(β) column in the tables present the extent to which raising the corresponding measure by one unit influences the odd ratio and can interpreted in terms of the change in odds. If the value exceed one then the odd ratio of outcome occurring increase. If the figure is less than one, any increase in the predictors leads to drop in the odd of outcome occurring (Robert and Richard, 2017).

Enterprises bussness sector (EBS)

The econometric model result shows that business type of service sector and loan repayment period was positive relation at significant 5% level. The result of odd ratio state that, the other factors remaining constant, respondents who replied their bussiness engaged in service sectors was coded as "3" services sectors were 46.5 times better chance of the loan to be repaid rather than others enterprises bussiness sectors.

Loan repayment period

The econometric result as indicated the above table 4.6, the loan repayment performances and loan repayment period were positive related at 5% significant level. The result of odd ratio state that, the other factors remaining constant, respondents who replied loan repayment period was coded as "1" yes convenient repayment period were 11.6 times better chance of the loan to be repaid. This result was opposed the results of Ann mukono (2015), Selam (2016) the difference may be due to the study

area or may be sample size but this study was similar result with Abraham (2017) and Adugna Megersa(2022).

Follow up and supervision

Follow up and supervision is also among loan repayment factors that was as expected, positively and significantly affect loan repayment at 5% significant level. The odd ratio showed that, all other factors remaining constant, the respondent who replied there was continuous follow up and supervision was coded as "1"yes were 36.8 times better chances of loan to be repaid. In other cases when follow up and supervision increase by lender, the probability of default were decreases and the probability of loan repayment performances increase. This result is similar with Gobena (2018) and Megersa Adugna (2022)

Market accessibility

Market accessibility is among the independent variables that expected positively and statistically significant affect loan repayment performances of MSMEs. The econometric result as showed in the above table 8 (4.6), the loan repayment performances and market accessibility were positive related at 5% significant level. The result of odd ratio indicted that respondents had market accessible was coded as "1" yes were 104.5 times better chance of loan to be repaid. As result indicated that market accessibility given to the borrowers increase the probability of loan repayment performances increases in study area. This result was similar with Gobena (2018)

Age

The age of enterprises leader 26-35 age group were positively and significantly influence loan repayment at 5% significance level. The result of odd ratio indicted that respondents age group was coded as "2" 26-35 age group were 0.006 times better chance of loan to be repaid. This implies that through time aged MSME leaders acquired experience in business, accumulated more wealth and properly utilized it than lower age in the study area.

CONCLUSIONS AND RECOMMENDATUON

5.1 Conclusion

Microfinance is financial institutions that are the provision of financial services; primarily saving and credit to poor and low income house-hold that does not have access to commercial bank services. This microfinance also provide loan to the entrepreneurs unemployed individuals through forming them in micro, small and medium enterprises which enable them to earn their daily income and to have better their running their bussiness and living standard.

This study was under take to examine factors affecting loan repayment performances of micro, small and medium enterprises and to access the extents of loan repayment performances of MSMEs that are financed by OMFI wolkite district. This was considering factors related internal/enterprises/ related factors, lender related factors and external related factors for analyzing purpose. This research was employed both descriptive and explanatory research design with both quantitative and qualitative research method. Simple random stratified sampling techniques was used both descriptive and binary logistic regression model were employed in order to analyzed the data collected through closed and open ended questionnaire from 176 sample of MSMES. The econometrics result of this study was revealed that the loan repayment performances of MSME sectors affected by different factors like Age, enterprises bussiness type of services sector, loan repayment period, follow up and supervision and market accessibility were positively and significantly affect loan repayment performances in study area. Whereas variables like training, saving habit, gender, education level, marital status, enterprises member size, loan size, interest rate positively or negatively influenced loan repayment performances but not significant.

The descriptive statics result indicated that 44(25%) of the sampled respondent were non defaulters/ they repaid loan on specific period of time/ and 132 (75%) were defaulters. The average loan repayment performances for the last successive ten years report shows that from total loan disbursed, 16.94% collected and the remaining 83.04% did not repaid.

To identify most important explanatory variables that affect loan repayment performances of MSMEs was conducted by using binary logistic regression model. The model revealed that among explanatory variables entered in to the model, five variables such as age, service sectors, loan

repayment period, follow up and supervision and market accessibility were positively and statistically significant affect loan repayment performances of MSMEs in wolkite Town.

Follow up and supervision: follow up and supervision affects loan repayment performances positively and statistically significant affect loan repayment performances. Enterprises those who follow up and supervised showed good loan repayment performances than enterprises that did not follow up and supervision. Because supervision may avoid the problem of diverting the loan for other purpose and encourages the members to make the full effort required for their investment projects to be successful. Therefore, OMFIs must monitor the borrower's property and gives an attention what the borrowers have been made by the money they lend from the institution. The institutions have many possible alternatives to monitor the borrowers. Amongst this one of the best methods is visiting to understand the progress of the borrower's business operation and giving an advice as necessarily important, and encouraging the repayment performances. There is also stake holder for MSMES such as enterprise and industry development office ,TVT college and the Town Adminstration office so, those government institutions are working together to prevent loan default. Besides, the institution made loan supervision about for what purpose the borrowers need a loan, how they are going to use the loan and also their productiveness of using a loan. Such supervisions are a key factor for the borrower better productivity and the assurance of repayment performances of the institution since the borrowers achievement is also great for little occurrence of non-default loan in the institution.

Loan repayment period (LRP): Enterprises with longer repayment period were expected to pay better since they could have enough time to generate income. The result shows that it is positive and significantly related to loan repayment performances micro, small and medium enterprises implying that business with long term repayment period are found to be non- defaulters. This is not more advised that as repayment period of business gets longer the probability that the loan is subjected to risk and uncertainty will increase

Market accessibility: market accessibility was determining loan repayment positively and statistically significant affect loan repayment performances in study area. Access to market refers to the availability of market demand for the particular product or service. Enterprises create different market access for their products and services, proximity to their customers, appropriate modes of

distributing products; pricing and promotion insure the existence of market alternatives for their product. So the higher level of market access results the higher probability of getting profit and the greater level of enterprises loan repayment performance.

Enterprises service sectors: Enterprises service sectors and loan repayment period was determining positively and statistically significant affect loan repayment performances in study area. Service sectors are better to lending institution for table and continuous market access for their service and this sector have constant working place rather other bussiness sectors.

5.2 Recommendation

Depending on the findings of the study, the following recommendations are forwarded on the issue of loan repayment performances of MSMES.

- The involvement of women in participating of MSMEs in wolkite Town is less than men. In this case, the equality between women and men should be improved because women participating in MSMEs have great role to strong base in industrial development, reducing poverty, promoting sustainable development and have better performances for bussiness activities with higher profitability. So, the government and other concerned body should encourage the women involving in MSMEs by providing bussiness development services, providing to access modern technological machine, gender equality in work place, facilitate supplying row material and assisting them market linkage to them are key for sustaining economic development and better loan repayment performances
- The Town of enterprises and industry development offices should communicate and integrate with regional, federal government to create linkage between microfinance institution specially omo micro finance and MSMEs for setting suitable loan repayment period.
- The Town of enterprises and industry development offices, banks and microfinance institution should develop means of support take close control follow up and supervision to solve the problem of loan repayment performances of MSMEs. Otherwise their growth and loan repayment prolonged for long period of time and economic transformation from agriculture to industry did not meet its goal.
- Enterprises itself create different market access for their products and services to insure the existence of market alternatives for their product. Therefore, the higher level of market access results the

higher probability of getting profit and the greater level of enterprises loan repayment performance. Finally to promote the MSMEs activities and their loan repayment in the town, the town administration should provide market linkage in around the town specially with macro project and governmental institutions, incentive like tax free for some limited time, excess land for working area, promote market system and investment opportunity within the Town by developing website, by using national and international channel.

- Enterprises service sectors and loan repayment performances were positively and significantly affect loan repayment performances. So, Omo micro finance should focus and continuous follow and checking their bussiness services to prevent loan default.

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APPENDEXS

LOAN INFORMATION only disbursed to MSMEs for last ten years

S/N	Year of disbursed	Loan disbursed	Loan repaid	Rate
1	2012	3,550,800	945,000	26.6%
2	2013	2,794858	871,425	29%
3	2014	4,222,530	633,768	15%
4	2015	1,284,000	442,903	34.5%
5	2016	2,743,000	341,511	12.45%
6	2017	5,085,742	297,359	5.85%
7	2018	5,021,762	432,530	8.6%
8	2019	3,568,226	587,242	16.45%
9	2020	836,625	33,876	4.09%
10	2021	0	0	0

N.B loan repaid in one year Average=16.94% for successive past ten years

Source OMFI (2022)

WOLKITE UNIVWERSITY COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE MSC PROGRAM

Dear respondents:-I kindly ask you to participate in this study that aims to examine factors affecting loan repayment performance of Micro small and medium-sized enterprises in case of Wolkite towns Administration**.** This study is based at the Wolkite University to fulfill the requirement for the award of Master of Accounting and finance (MSC). I would be grateful if you would volunteer to spare the time to assist in this study by answering the questionnaire which is intended to capture your ideas and perceptions on the factors affecting loan repayment performance of MSMEs. The information gathered will not be used in any other way and will be kept strictly confidential only used for the academic purpose. No individuals responses will be identified as such and the identity of persons responding will not be published or released to anyone. All information will be used for academic purposes only. Thank you in advance for your kind cooperation and dedicating your time.

ALI SHERIF AWOL

Phone No 0910689242

E-mail:-al10689242@gmail.com

MSMEs MEMBERS QUESTIONNAIRE

Instructions: - No need of writing your name

Please make a thick mark (√) in the box provided where you want to indicate

***Section one:-*A: Demographic part of questioner**

1. Gender A. male ☐ B. female ☐
2. Marital status married ☐ unmarried ☐ widowed ☐
3. Age group of respondent A. 18-25 ☐ B. 26-35 ☐ C. 36-44 D. 45 and above ☐
4. Education levels of the respondents A. illiterate ☐ B. Primary School complete ☐
   C. Secondary school completes ☐ D. College diploma ☐ E. Degree ☐
   F. masters and above ☐

B: Internal information related on business enterprises

1. The positions of the members in MSMEs A. manager ☐ B. secretary ☐ C. vice-manager ☐

2 What is the main activity of the enterprise? A Manufacturing ☐ B. Service ☐

C. Urban agriculture ☐ D. Construction ☐ E. Trade ☐

3 How many years has your enterprises been in business? **A.** less than 1year ☐

B**.** 2-5 years ☐ **C**.6-9 years ☐ **D.**10-13 years ☐

4 How many members in the enterprise in which you operates? A1- 5 ☐ B 6 -30 ☐ C greater than 31 ☐

5 How much money did you receive as a loan from the microfinance institution? ---------- -------

6 Do you believe that the loan has to be repaid on time? 1 Yes ☐ 2 No

6.1. If No why is that? ....

6.2. If your answer is no, who is the primarily affected body…….....

6.3. What do you expect as impact if the repayment period is too delayed for repayment?

……

7 Did you repay loan on maturity date? Yes ☐ No ☐

8 Was the loan released sufficient for the intended purpose? 1 yes ☐ 0 No ☐

9 Did you use the entire loan for the intended purpose**?** 1 yes ☐ 0 No ☐

9**.**1. If No, how much did you spend out of the desired purpose? ----------

---

10 Did you get the loan at the right time? 1 yes ☐ 0 no ☐

10.1. If no, what is the reason? ----------

---

11 Did the repayment period suitable for you? 1 Yes ☐ 0 No ☐

11.1. If no, specify a suitable repayment period……

11.2 If your answer is no what is the reason that made you not to be fully repaid?

Spacify….....

C: Lender related questions:

12 Did you get any training from your lending institution? 1Yes ☐ 0 No ☐

12.1 If yes question No 1, what kind of training you have taken? Entrepreneurial

Marketing ☐ Savingculture ☐ Loanrepayment ☐ ☐

other specify.....

☐ ☐

13 Have you ever been supervised for loan repayment? 1 Yes 0 No

14 What amount of interest rate charged by OMFIs for loan provided? _____

15 Does loan interest rate charged is reasonable for your enterprises. 1 Yes ☐ 0 No ☐

16 Does the loan repayment period given to your enterprise is convenient?

1 Yes ☐ **0 No** ☐

D: External factors:

17 Is market accessibility for your enterprise? 1 Yes ☐ 0 No ☐

18 Do you have convenience demand for your product or services? 1 Yes 0 No ☐

19 Is your products or services are near to customers. 1 Yes ☐ No ☐

20 Does your enterprise modes of distributing products, pricing and promotion of products are appropriate? 1 Yes ☐ 0 No ☐

E: Open ended Questions

21 What do you recommend to the loan officers for further improvement? ----------

---

---

22. List the factors that affect the loan repayment performance of your enterprise. ----------

---

Interviewee questions

- Regarding to internal factories?

What are the main internal factors that related to enterprises that affect loan repayment performances of MSMEs in Wolkite Town? ----------

- What are the challenges of loan repayment performances of MSMEs? Regarding external factors?
- How did you measure the loan repayment performances MSMEs in wolkite Town?----------
- Have you further comments on MSMEs any other factors affecting the loan repayment performance of MSMEs in wolkite Town?----------
- What are the roles of lender /enterprises and industry development office/ to prevent the loan default? ----------

በወልቂጤ ዩኒቨርሲቲ

የቢዝስና ኢኮኖሚክስ ኮሌጅ ት/ት ክፍል የአካዉንቲንግ እና ፋይናንስ ድህረ ምረቃ ፕሮግራም

ውድ የጥናቱ ተሣታፊዎች፡-ተማሪ አሊ ሸሪፍ አወል በወልቂጤ ዩኒቨርሲቲ የአካዉንቲንግ እና ፋይናንስ ትምህርት ክፍል የአካዉንቲንግ እና ፋይናንስ የድህረ ምረቃ ተመራቂ ሲሆን፤ በአሁን ሰዓት የመመረቂያ ፅሁፌን በማዘጋጀት ላይ እገኛለሁ፡፡ የጥናቱ ርእስም በወልቂጤ ከተማ የሚገኙ ጥቃቅን፤አነስተኛ እና መካከለኛ ኢንተርፕራይዞች የብድር አመላለስ አፈፃፀም ላይ ተፅኖ የሚያሳድሩ ተግዳሮችን ጥናት ማድረግን ይመለከታል፡፡ እርሶም በዚህ ጥናት እንዲሳተፉ ተመርጠዋል፡፡ እርስዎ የሚሰጡትን ትክክለኛውን መረጃ ለጥናቱ ውጤታማነት በጣም አስፈላጊ መሆኑን በመገንዘብ መጠይቁን በጥንቃቄ እንዲሞሉ እጠይቃለሁ፡፡ ተሳትፎዎ በእርሶ በጎ ፈቃደኝነት ላይ የተመሰረተ ነዉ፡፡ በመጨረሻም የሚሰጡት መረጃ ሚስጥራዊነቱ የተጠበቀና ለዚህ ጥናት ላማድረግ ብቻ እንደሚውል አረጋግጣለሁ፡፡ የማንኛውም መልስ ሰጪ ማንነት በማንኛውም መልኩ የማይታተምና የማይሰራጭ ይሆናል፡፡ ሁሉም መረጃዎች ለትምህርታዊ ዓላማ ብቻ ይውላሉ፡፡ ጊዜዎን ሰውተው ስለሚያደርጉልኝ ትብብር በቅድሚያ አመሰግናለሁ፡፡

ስልክ +251910869242

Email.al10689242@gmail.com

<u>ማሳሰቢያ</u> - በመጠይቁ ላይ ስም መፃፍ አያስፈልግም።።
መልሶትን በሳጥኑ ውስጥ የእርማት ምልክት ያስቀምጡ √

ክፍል 1 ፡ግላዊ መረጃ

1. የማህሩ ባለቤት ወይም ሀላፊ ፆታ ሀ. ወንድ ☐ ለ. ሴት ☐

2. ዕድሜ ሀ. 18-25 ☐ ለ.26-35 ☐ ሐ.36-44 ☐ መ 45 ና ከዚያ በላይ ☐

3 የትምህርት ደረጃ፡- ሀ. 1-8 ☐ ለ 9-12 ☐ ሐ ድፕሎማ ☐
ሠ. ድግሪ ☐

4 በማህበሩ ውስጥ እርሶ ያለው የስራ ኃለፊነት ሀ. ሊቀመንበር ☐ ለ. ፀሐፊ ☐

ሐ. ምክትል ሊቀመንበር ☐

5 የማህበሩ አባላት ብዛት ስንት ናቸዉ? ሀ ከ1-5 ☐ለ 6-10 ☐ሐ ከ10 በላይ ☐
6. የተሰማሩበት የስራ መስክ በየትኛው ይመደባል

ሀ. አምራች ዘርፍ ☐ ለ. የንግድ ዘርፍ ☐ ሐ. አገልግሎት ዘርፍ☐

መ. በግንባታ ዘርፍ ☐ ሠ. በከተማ ግብርና

7 ኢንተረፕራይዙ/ማህበሩ ስራ ከጀመረ ምን ያህል ጊዜ ነው?

ሀ. ከ1-5 ዓመት ☐ ለ ከ6-9 ዓመት ☐ ሐ ከ10 አመት በላይ ☐

8. ምን ያህል ገንሀብ ከአበዳሪ ተቋም ተበድረዋል? ----------

9. የተበደራችሁትን ገንዘብ በወቅቱ/በጊዜ/ ይመለሳል ብላችሁ ታስባላችሁ? ሀ አዎን ☐

ለ ኣይደለም ☐

9.1 በተራ ቁጥር 9 መልሶ አይደለም ከሆነ ለምንይመስላችኋል?.....

10 የተበደራችሁት ገንዘብ በወቅቱ ተመልሰዋል አ☐ አይደለ☐

11 ከአባዳሪ ተቋም የሚሰጣችሁ ገንዘብ ለሚትፈልጉት አላማ በቂ ነዉ ብለዉ ያስባሉ?

ሀ አዎን ☐ ለ አይደለም ☐

12 የተበደራችሁትን ገንዘብ ለተፈለገዉ አላማ ይዉላል ብለዉ ያስባሉ?ሀ አዎን☐ለ አይደለም ☐

13 ብድር በፈለጋችሁት ሰኣት ታገኛላችሁ? ሀ አዎን ☐ ለ አይደለም ☐

13.1 በተራቁጥር 13 ላይ በተገለጸዉ መልሶዎት አይደለም ከሆነ ለምን ይመስላችኋል?.....
.....

14 የብድር አመላለስ ጊዜ ለእርሶ ምቹ ነዉ ብለዉ ያስባሉ? ሀ አዎን ☐ አይደለም ☐

15 ከአበዳሪ ተቋም ስልጠና ወስዶ ያዉቃሉ? ሀ አዎን ☐ ለ አይደለም ☐

15.1 ከላይ በተራ ቁጥር 15 የተገለፀዉ መልስዎት አዎን ከሆነ ምን አይነት ስልጠና ወሰዱ?

ሀ ስለ ገበያ ☐ ለ ስለ ቁጠባን ባህል ማድረግ☐ ሐ ስለ ብድር አመላለ☐ መ ሌላ ካለ ይገለፅ.....

16 ከአበዳሪ ተቋም ስለብደር አመላለስ ክትትልና ድጋፍ ይደረግሎታል? ሀ አዎን ☐

ለ አይደለም ☐

17 የተበደራችሁት ገንዘብ የወለድ ምጣኔዉምን ያህል ነዉ?.....

18 የብድር የወለድ ምጣኔ ተገቢና ትክክለኛ ነዉ ብለዉ ያስባሉ? ሀ አዎን ☐ ለ አይደለም ☐

19 የገበያ ሁኔታ ማህበራችሁ ብድር አመላለስ ላይ ተጽዕኖ የሳድራል ሀ አዎን ለ☐ይደለም ☐

20 **የገበያ ትስስር በተመለከተ መንግስት የገቢያ ትስስር ለሚታመርቱት ወይም ለሚትሰጡት አገልግሎትገበያያመቻቸል**.....
.....

Correlation Matrix

		Constant	beliefrepaid(1)	loanuse(1)	repayperiod(1)	training(1)	supervised(1)	markt(1)	convmarket(1)	nearcutmr(1)	modedestr(1)
Step 1	Constant	1.000									
	beliefrepaid(1)	.222	1.000								
	loanuse(1)	-.490	-.361	1.000							
	repayperiod(1)	-.188	-.616	.227	1.000						
	training(1)	-.098	.076	-.123	-.323	1.000					
	supervised(1)	-.163	.232	.012	-.117	-.363	1.000				
	markt(1)	-.636	-.329	.304	.370	-.046	.262	1.000			
	convmarket(1)	-.370	.001	.027	-.052	.062	-.032	-.058	1.000		
	nearcutmr(1)	-.613	-.347	.315	.134	.037	-.042	.396	-.048	1.000	
	modedestr(1)	-.349	-.108	-.037	-.113	.117	-.239	-.017	.042	.115	1.000