DETERMINANT FACTOR AFFECTING LOAN REPARYMENT PERFORMANCE: (ACASE STUDY Of commercial BANK IN Gubre BRANCH)

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DEPARTMENT OF ACCOUNTING AND FINANCE

BY: ELHAM MOHAMMED

ADVISOR: Mr. BERHANU D. (MSc)

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Abstract

Banks role in the economy of any country are very significant. They play intermediation function in that they collect money from those who have excess and lend it to others who need it for their investment. Availing credit to borrowers is one means by which banks contribute to the growth of economies. They are many factors affecting bank's efficiency and effectiveness in achieving its goal and objectives. Such as: - repayment performance, cash management and so on. This study was conducted with the aim of identifying the major factors behind the default problem of borrower's particular reference to commercial banks. This study intends to determinant factors affecting loan repayment performance in order to achieve objectives. The study was adopted by both qualitative and quantitative approach. Primarily data were collected from 12 employees of the bank holding different position selected through sampling census by including all employees who are involving in loan related work by distributing a self – administrated questionnaire. Moreover secondary data were obtained from the recorded document of the bank. For the data analysis statistics including tables, percentages were used to assess or described the phenomena that influencing repayment. The finding of the study shows that training and regulation of credits, loan monitoring , and supervision, credit term and conditions, interest rate of the loan, loan reputation and loan amount by bank assign the factors affecting loan repayment performance determinant.

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List of acronyms

BC= Bank collateral

CAR=Capital adequacy ratio

CBE= Commercial bank of Ethiopia

DBN= development Bank

LPR=Loan repayment performance

LTD= loan to deposit

NBE=National bank of Ethiopia

NPL=Non performing loan

ROE=Return on equity

SC=share company

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CHAPTER ONE

INTRODUCATION

1. BACK GROUND OF THE STUDY

Loan is the sum of money that is provided by financial institutions like a bank, credit union and micro finances. It is a contract between buyers (borrower) and a seller (a lender) that is enforceable under the uniform commercial code. The term and condition for repayment including the finance charge or interest are specified in a loan agreement. Nerd Wallet, Lnc., (2019)

Loan repayment is the act of paying back money previously borrowed from a lender. Typically, the repayment of funds happens through periodic payments, which include both the principal and the interest. Loans are usually paid in a lump sum at any time, through some contracts may include an early repayment. When some borrowers fail to pay their credit, they will turn to bankruptcy protection. Alternatives to bankruptcy are earning additional income, refinancing, obtaining support through assistance programs and negotiating with creditors. Alexander T. (2019)

Commercial banks are one of the economic actors who have a lion share on the economy of a country. Banks to perform well must pay due attention for their asset quality and management. Loan is the main business, largest asset and vital source of revenue for commercial banks. Therefore, it should be managed properly. However, improperly managed loan exposes the banks to credit risk. Loan taken from credit institution vary from country to country region to region sector to sector. However, credit of developing countries was found to share one common characteristics which is suffer from a considerable amount of default rate (the amount of loans not collect on current and past due loans from the reference period. Kipyeogo& Moses. (2013)

Survival and soundness of the banking enterprise is exposed to different risks such as market risk, liquidity risk, operational risk and credit risk. The greatest risk of all is credit risk (Dang,

2011). Credit risks are losses from the refusal or inability of customers to pay what is owed in full amount and on the specified time. Coyle. (2000)

The lending function is considered by the banking industry as one of the most important function for the utilization of funds. Since, banks earn their highest gross profits from loans; the administration of loan portfolios seriously affects the profitability of banks. In the process of providing credit assistance to the investment activities and projects in the economy, financial institutions face inherent risks in the form of default risk which results in build-up of Non-Performing Loans (NPLs) that have a negative effect on the profitability of the financial institutions Gieseche. (2004)

1.2 Back ground of the organization

The commercial bank of Ethiopia is (CBE) is the largest bank in Ethiopia as of June 2015,it had about 303.6 billion Birr in assets and held approximately 67% of deposits and about 53% of all bank loans in the country. The bank has around 22,908 employees, who staff its headquarters and its over 1000+ branches positioned in the main cities and regional towns. The latter includes 120 branches in national capital Addis Ababa. CBEs banking network has reached online 783 branches. The bank has reached 1284 branches as of August 10, 2018.

The bank also operates two branches in south Sudan and contemplating opening reopening branch in Djibouti Dubai and Washington DC all to serve the Ethiopian diaspora. The bank is pioneer to introduce modern banking to Ethiopia and credited for playing a catalytic role in the economic progress and development of the country.it is also first bank in Ethiopia to introduce ATM service for local users.

Vision of CBE to become a world class commercial bank by the year 2025.

Mission of CBE it committed to best realize stakeholders needs through enhanced financial intimidation globally and supporting national development priorities, by developing highly motivated ,skilled and disciplined employees as well as state of the art technology.

Core values of CBE integrity, customer satisfaction, employees satisfaction, learning organization, team work and collaboration, public trust , value for money, decentralization and corporate citizenship . ethio mkt(2020)

1.3 Statement of the problem

Failure of loan repayment affects financial performance and position of the banks and it causes limitation on credit supply of banks to borrowers because of uncertainty about the repayment, which in turn has impact on investment projects. Failures to repayment of loan increases the cost of lending as well as reduce the capacity and flexibility of banks. It also discourages further investments because of credit risk this all have a negative impact on the business sector, new investments and economic development of our country NBE. (2010)

Today the role of the private sector in economic development of the country is high. Under the current government, the previous credit restrictions and discrimination were lifted together with the permission of the entry of more private commercial banks in the financial market. Abraham (2002) Taking the above fact in to consideration, National Bank of Ethiopia diverted its attention towards the private sector. The measures on credit operation are taken because the success or failure of its development financing as well as its financial position relies on its loan recovery performance, which again depend on various factors that determine loan repayment performance. Zena. (2009)

According to various researches factors that determine loan repayment performance include; borrowers personal character which are related with personal qualities of the borrowers including age, sex, educational level, house hold size, management capacity, loan utilization, bank experience etc. Factors, which are related with the bank such as structure of the bank, change in the lending policy, way of appraising the project, responsibility and accountability of the staff members of the bank. Repayment of loan is one of among the largest factor affecting the soundness of financial performance of commercial banks and financial system as a whole, because the country's economy largely relied on the banking industry. Therefore, provisions of loan to the private borrowers require a careful examination of the above determinants to make loan repayment successful. which otherwise will lead to poor allocation of credit which results in poor investment projects, raises costs to the successful borrowers, erodes the fund that would be available for further investment, reduce banks flexibility in redirecting financial resource towards alternative activities, reduce the lending capacity of the financial institution NBE (2010).

Therefore, this study was focused on identifying the factors that determine loan repayment performance of borrowers in commercial bank of Ethiopia. This study was investigated on factors affecting loan repayment performance credit term supervision collateral lending credit monitoring and amount of loan to investigate the causes for the existence of non-performing loans based on sample from

Research questions

The study would try to answer the following equation

- What are the roles of credit term on loan repayment performance?
- What is the role of collateral lending on the loan repayment performance?
- What are the effects of bank interest rate on the loan repayment performance?
- What is the role of bank loan monitoring on the loan repayment performance?

1.4 Objectives of the study

1.4.1 General objectives

The general objectives of this study is to examine the determinant factor affecting loan repayment performance in case of commercial bank of Ethiopia in garage zone Gubrye town

1.4.2 Specific objectives

- ✓ To investigate the roles of credit term on the loan repayment performance
- ✓ To assess the roles of collateral lending on the loan repayment performance.
- ✓ To analysis the effect of bank interest rate on the loan repayment performance
- ✓ To assess the roles of bank loan monitoring on the loan repayment performance.

1.5 Significance of the study

The result of this study will give a number of benefits. It helps the researcher to conduct a research and solve the stated problems. It helps to understand related theoretical knowledge with that of practical world. The result of this study will be helpful to the banks to identify the determinants that are affecting loan repayment performance. This study will also provide data base line information for the other researchers who might be interested to conduct further study in the area. In addition to this, it will helpful for the organization and a policy maker to design or formulate the loan policy and program to achieve good loan recovery performance of borrowers.

1.6 Scope of the study

This study identified the factors that determine loan repayment performance of the borrowers to create a smooth relationship between borrowers and commercial banks of Ethiopia of Gubrye branch.

1.7 Limitation of the study

The study would applied to Commercial bank of Ethiopia Gubrye branch which is limited in specific area coverage of Gubrye town only the studies target population is also specific on only employees that does not included the borrower's and this is because of time and financial constraints.

1.8 Organization of the paper

The research paper organized from five chapters. The first chapter presents the introduction part of the study, which contains background of the study, statement of the problem, objective of the study, research questions, and significance of the study scope and limitation of the study. The second chapter explains the result of related review literature concerning determinants of loan repayment performance. In addition, the Third Chapter details about the research design and approach, sampling size, sampling techniques, source of data, method of data collection and methods of data analysis and presentation. And the fourth chapter contains data analysis and presentation. The last chapter elaborates about major finding, conclusion and recommendation of the study.

CHAPTER TWO

LITERATURE REVIEW

INTRODUCTION

In this section, the review of related literature would be present. It starts with the theoretical literature review. Subsequently the relationship between lending and credit repayment performance, characteristics of loans, advantage and disadvantage of loan, types of loans, loan repayment, guiding principles of loan repayment and factors affecting loan repayment performance present respectively. At the end, empirical studies that show the determinants of loan repayment performance will also present and identifies the literature gap.

2.Theoretical literature review

2.1Definition of loan

Loan is the act of giving money, property, or other material to another party in exchange for future repayment of the loan value or principal amount along with interest rate or finance charges. A loan may be for specific, onetime amount or can be available as an open-ended. Corporations, financial institutions and governments typically issue loans. Loans help for the growth of overall money supply in the economy and improve competition among lenders by providing credit to new businesses. Loans also have an advantage for existing companies by expanding their operation. Interests and fees, which derived from loans, are the primary sources of revenues for many banks. Julia K, (2019).

A loan is the purchase of the present use of money with the promise in order to pay the amount in the future according to the specified time agreement and interest rate. The interest rate charged on the borrowed funds reflects the level of risk that the lender under takes by providing a money. Loans are the most common type of debt financing by small business. Which enable them to repay their credit and it enable them to expand their business. Advameg, lnc (2019)

2.2 Relationship between lending and credit repayment performance

One of the primary objectives of financial institutions is to provide financial service credit and saving facility to customers in order to minimize financial constraints and help to alleviate high poverty and repayment rates are indeed largely associated with benefits for both the financial institution and the borrower. They enable the financial institution to cut the interest rate it charges to the borrowers, thus reducing the financial cost of credit and allowing the borrower to have more access to it. Improving repayment rates might also help the financial institutions by improving their sustainability. It is also argued that high repayment rates reflect the adequacy of financial institution services to client's needs. Information asymmetries arise when gaining information on the characteristics or behavior of the borrower is Cody for financial institution information. Asymmetries generate problems of adverse selection allocation of loan to borrowers with undesirable characteristics such as high level of risk or inability take purpose. Adverse selection and moral hazard increase the properties of borrowers who cannot repay their loans on time. Advantage of the loan as well as moral hazard and the borrower may behave in an undesirable way (make little or insufficient effort to take advantage of his loan or used it for unproductive purpose) adverse selection and moral hazard increase the properties of borrowers who cannot repay their loans on time. DemekeA. (2017)

2.3 Characteristics of loans

Loans have the following characteristics: -

Time to maturity: time to maturity describes the length of the loan contract. Loans are classified according to their maturity into short-term debt, and long-term debt. Revolving credit and perpetual debt have no fixed date for retirement.

Repayment schedule: payment may be required at the end of the contract or at set in travels, usually on monthly or semi-annual basis. The payment is generally compromised of two parts a portion of outstanding principal and the interest costs.

Interest: it is the cost of borrowing money. The interest rate charged may be fixed for the term of the loan, or adjusted to reflect changing market conditions.

Security: assets pledged as security against loan loss are known as collateral. Credit backed by collateral is secured. Assets purchased by the loan, cash, real estate and land used as collateral. Advameg, lnc(2019)

2.4 Advantage and Disadvantage of loan

Bank loans are available for finance, the purchase of inventory and equipment as well as to obtain operating capital and funds for business expansion apart from these advantages bank loans have negative part.

Advantages of bank loans

The bank supplied money to a business based on the value of the business and perceived ability to service the loan by making payments on time and in full amount. Banks do not interpose in any aspect of running business to which a bank grants a loan. This means the bank not interfere the management and control of the business to which it grants loan. The other advantage of bank loan is that it is temporary, that means if ones the borrower has paid off its credit there is no more obligations to or involvement with the bank lender. In addition, the interest on business bank loans is tax deductible. Especially with fixed rate loans, the interest rate does not change during the course of the loan.

Disadvantage of bank loans

The greatest disadvantage of bank loan is that it does not grant a loan without holding valuable collateral. Banks are careful in lending, they grant loans only for businesses that can clearly repay their credit and which able to cover losses when the event of default occurred. Business borrowers can be required to provide personal guaranties which is sized to recover when the business fails and unable to repay all or part of its loans. The other disadvantage is interest rates for small business loans are higher and the amount of bank funding is for business, which qualifies the desired criteria, is often not sufficiently meet its needs. Jayne T. (2019)

2.5 Types of loans

Banks grant different types of loans to individuals as well as business entities. The loans are classified as short term, medium term, long term, secured, unsecured, demand, concessional, personal, commercial loans and so on.

Short-term loans: - is type of loan that is obtained to support a temporary personal or business capital need. As it is type of credit it involves a borrowed capital amount and interest that is paid back at a given due date. Usually a year from getting the loan.

Medium term loans: - is loan with a repayment period between two and five years. It is best suited for growing revenue positive businesses, which need a capital for further expansion.

Long-term loan: - is a type of loan that is paid off over an extended period that exceeds one year in duration. Obtaining a long-term loan provides a business with working capital used for purchasing assets, inventories or equipment, which create additional income for the business.

Secured loan: -is a loan that has collateral attached to it. This type of loan is generally having a lower interest rate because the bank is taking a lower risk. If the borrower defaults the creditor takes the possession of assets used as collateral and may sell it to regain some or all amount originally loaned to the borrower.

Unsecured loan: - it is a loan that is not connected to any specific pieces of property. It is not secured against the borrower's assets. Instead, the creditor may satisfy the debt only against the borrower rather than the borrowers' collateral

Demand loan: - is short-term loan that typically do not have fixed date for repayment. It carries floating interest rate, which varies according to the prime lending rate. They can be paid at any time.

Concessional loan: - is a loan granted on terms generous than market loans either through below market interest rates by grace periods or combination of both. Such loan may be made by foreign governments to developing countries or may be offered to employees of lending institutions as an employee benefit.

Commercial loan: -is a loan for short time period and it is secured or unsecured and advanced for financing equipment, machinery, or inventory. It is usually for short term last from 30 days to one year. WebFinanceLnk(2019)

2.6 Loan repayment

Loan repayment is the act of paying back money previously borrowed from a lender. Typically, the return of funds happens through periodic payments, which include both principal and interest. Loans can usually also be fully paid in a lump sum at any time. However, some contracts may include an early repayment fee. When customers take out loans the expectation by the lender is that they will ultimately be able to repay them. Some borrowers who cannot repay may turn to bankruptcy protection. However, the borrowers should explore every alternative before declaring bankruptcy as doing so can affect a borrower's ability to obtain financing in the future. Alternatives to bankruptcy are earning additional income, refinancing, obtaining support through assistance programs and negotiating with creditors. (Elsevier B.V.2019)

2.6.1 Guiding Principles of Loan Repayment

The repayment period of loans is determined based on the liquidity position of each Borrower and the economic life of the investment. Repayment schedules must be made flexible So that it should be adjusted to borrower's cash flow pattern. In addition to this credit policy instruments, some relevant lending principles are used by banks as their guiding principles Zena(2009). These include; borrowers perceived need, competence or repayment capacity and personal character.

(a) Borrower's Perceived Need

Borrowers have to be given an opportunity to borrow for their perceived needs because loans are More valuable when they meet borrower's need. The credit delivery system can focus on the needy part of households through establishing clear criteria for eligibility.

(b) Competence

Borrower's competence refers to the repayment capacity which largely depends on the profitability of the use of credit. This is most helpful tool for estimating the potential credit worthiness of borrowers. In order to assess the borrower's capability in terms of repayment capacity, lenders will assess the borrower's past personal and profit record and past prosperity.

(c) Borrower's Personal Character

Lenders need to know personal reputation of the borrower and his attitude to the financial obligations. Lenders should always relate credit with good personal qualities of the borrower including integrity, honesty, responsibility, dependency and sincerity of the borrowers.

2.7 Factors affecting loan repayment performance

Loans are advance payments that are provided by financial institutions like banks and credit institutions to individual borrowers and investors, which are paid back in future principal amount in addition with the interest rate. Loan is the main stream of banks profit. Therefore, it need to be care full evaluation and monitoring when supplying loans to borrowers to prevent risk of loan default. Various factors determine the loan repayment performance of borrowers that affect their payment performance positively and negatively. Demeke A (. 2017)

2.7.1 High interest rate

As interest rate is the percentage of principal charged by the borrower to the lender for the use of its money. Anyone can lend money and receive interest plus the principal amount most of the time banks are engaged in this type of activity. They use deposits of customers saving or checking accounts to fund loans. Financial factors like cost of credit have significant impact on loan performing. The commercial bank in Kenya using statistical analysis indicates that high interest rate charged by the banks is one of the internal factors has negative effect on loan repayment performance of borrowers. . Kimberly A. (2019). Banks that's charge high interest rate would comparative face a higher default rate or non-performing loans (R ajan and Dhal, 2003). Used a panel regression analysis indicate that financial factors like cost of credit has got significant impact on one performing loan. The commercial bank in Kenya using statistical analysis indicates that high interest rate charged by the bank is one of the internal factors that lead to non-performing loans.

2.7.2 Collateral

Collateral (also called security) in a property or other assets that a borrower offers to secure a loan. If the borrower stops making the promised Loan payment the lender can seize the collateral to recoup its losses, because collateral offers some secured to the lender in case the borrower fails to pay back the loans, that is secured by collateral typically have lower interest rate than unsecured loans. The purpose of security is to reduce the risk of giving credit by increasing the chances of the lender recovering the amounts that become due to the borrower. Security increases the availability of credit and improves the terms on which credit is available. The offer of security influences the lender decision whether or not to lend and it changes the term on which he is prepared to lend, typically by increasing the amount of the loan by extending the period for which the loan is granted and by lowering the interest rate. It is something valuable which is pledged to the bank by the borrower`s intention to repay to money advanced security is taken to mitigate the banks risk in the event of default and is considered a secondary source of repayment in the banking environment security is required for the following three reasons.

- To ensure the full commitment of the borrower to it operations.
- To provide protection should the borrower deviate from the planned course of action outlined at the time credit it's extended, and
- To provide insurance should the borrower default.

It is something valuable which is pledged to the bank by the borrower`s intention to repay to money advanced security is taken to mitigate the bands risk in the event of default and is considered a secondary source of repayment (Koch and Mac Donald, 2003).

2.7.3 Loan follow-up (monitoring)

Lending decision is made on sound credit risk analysis appraisal and assessment of creditworthiness of borrowers, but past records of satisfactory performance and integrity are no guarantee future, though they serve as useful guide to project trend in performance. Loan granted on the basis of sound analysis might go bad because of the borrower may not meet obligations per the terms and condition of the loan contract. It is for this reason that proper follow up and monitoring is essential.

Basically there are three types of loan follow up system. These are physical follow up, financial follow up, and legal follow up. Each are discussed in section that follows

Physical follow-up:- physical follow up helps to ensure existence and operation of the business status of collateral properties, correctness of declared financial data, quality of goods, conformity of financial data with other records, availability of raw materials, marketing difficulties observed under turnover of key operating person change in management set up among others.

Financial follow – up:- financial follow up required to verify whether the assumption on which lending decisions was taken continues to hold good both in regard to borrowers operation and environment and where the end use is according to the purpose for which the loan was given

Legal follow- up: - the purpose of legal follow up is to ensure that the legal resource available to the bank is kept alive at all times. It consists obtaining proper documentation and keeping them alive registration proper follow up of insurance. Specific issues pertaining to legal follow up include ascertaining whether contracts are property executed by appropriate person and documents are complete in all aspects obtaining revival letter in time (revival letters refers to renewal letter for registration of security contracts thathave passed the statutory period as laid down by the law)

2.7.4 Loan Amount

Von Pischke, (2000) noted that efficient loan sizes fit borrower`s repayment capacity and stimulate enterprise. If the amount of loan released is enough for the purposes intended it will have a positive impact on the borrower's capacity to repay. On the other hand in case of over and under finance the expected sign is negative. If the amount of loan exceeds what the borrower needs and can handy, it will be more of a burden than help and extra funds may go toward personal use, there by undermining repayment performance. If the loan is too small, it may also encourage borrowers to divert the loan to other purposes Vegan.L (2003). Therefore, over finance is not a problem as such the loan usage is also affecting the repayment rate. If the entire loan used for the intended activities, the repayment will be enhanced. By putting the whole loan for running business, it is possible to generate income and performing the business in a better way. While, if the loan used for unintended purpose like consumption, it will hinder the repayment performance of the clients.

2.7. 5 Merciful Credit term

Credit sanctioning that has not duly considered the credit term would potentially lead to occurrence of poor performance. Bank manager have short term decision horizons because their reputations are strongly influenced by public perceptions of their performance, as evidenced by short term earning's managers reputations suffer if they fail to expand credit when the economy is expanding and bank earnings are improving. The process of evaluating loans mainly due to external pressure, are among the factors that lead to huge concentration of nonperforming loans. Due to the computation and the pressure to deliver increasing return bank increased the granting of credit facilities to marginal borrowers. These facilities were aggressively priced to compensate for the increase in risk. Although the strategy delivered short term results credit losses followed and in many case caused banks to fail. The failure of banks can therefore not only be linked to unit favorable economic environment. But also to the nature of the credit policies have they employed (Koch TW and Scattmac Donald, 2003).

2.8 Empirical review

Fikert K. Rita. (2011) study that on determinant of loan repayment performance in credit and saving institution. The study analysis that in the group lending female borrowers have performed wise loan repayment performance than male. More over the percentage of female defaults was higher than non-defaulters. Therefore, the institution should give special attention on the current female borrowers in the group lending. Business experience help into enhance the loan repayment rate of the group borrows the cumulative effect of borrower's experience has a positive contribution on the success of business.

Similar study conducted on commercial banks in Ethiopia by MekdesA (.2017) analyzed that the influences of bank specific and macroeconomic factor on non-performing loans of nine sampled Ethiopia commercial banks. A sample of 96 observations has been analyzed over the period from 2006 to 2016 and used unbalance panel data. The study suggested that ROE, CAR, LLP and LDT statistically significant effect on the level of NPLS. The regression analysis of the empirical determinants of NPLS presented in this study suggested LTD, LLP, CAR and ROE are major bank specific determinants of NPLS in Ethiopia. The Ethiopian commercial banks that anticipate uncollection of loans may create provisions to reduce or absorb their risk. This motivates Ethiopian commercial banks to provide more loans and engaged in risky activities and ultimately the probability that NPLS will increased in the manner.

StinaA. (2018) examined that NPLs of Ethiopian commercial banks are highly affected by macro-economic factors like trade openness, unemployment and exchange rate. Exchange rate is found to be the most significant variable, which explains the variation of NPLS in commercial banks of Ethiopia. This is because country's is economy is import oriented.

Fikadu et al.(2017) studied that 46.7% of borrowers are defaulted in loan repayment and 53.3% of their respondents were non-defaulters from their investigation. This indicates that indicate that number of defaulters are almost near to half of total borrowers. The respondent mentioned that various reasons contribute to their default on loan repayment such as lack of training and follow up, business idea, doesn't work out, cash flow problems, failure in the business, lack of investing loan on intended business activates. From the study result, it is possible to conclude that positive

pre conditions including training and better supervision enable borrowers to enhance loan repayment performance.

Tolosa N (2014) finds that the age of respondents negatively and significantly determines the loan repayment performance of borrowers. This indicates that the elder respondent has better repayment performance than youngster and the elder were more responsible report loan than youngster so the care must be taken when starting from application screening to through the repayment periods the special attention for following up and supervision is necessary.

Abraham.G(2002) studied on the loan repayment and its determinants in small scale enterprise financing in Ethiopia around ziway area the estimation result employing to bit model he is found author sources of income education and work experience related economics activity before the loan are enhancing loan repayment while extended loan repayment period is influence the repayment performance negatively

Abafita (2003) analyzed the micro finance repayment performance of oromia credit and saving institution in kuyu Ethiopia. According to his finding sex and loan repayment are negatively related on the other hand age was found to be positive. while age squared turned to be negative income from activity financed but loan repayment period suitability is supervision are positively and significantly related to loan repayment performance more over loan diversion is significant and negatively related to loan repayment rate. The negative sign implies that the use of diverted funds for none income generate purpose.

The determinants of loan repayment in micro credit evidence from programs in the United States study showed that women have low repayment rate because some women entrepreneur in the study might have been engaged in high risk and low return acuities. the result shown that female borrowers did not proven to have a significant better repayment performance the size of loan and the age borrower showed the negative impact on the repayment performance. Bhatt N. and TANGS (2002). Analyzed the determinants of repayment performance credit groups in Madagascar. His findings in-group with higher level of social cohesion have a better repayment rate. More ever, the program that provides saving service to their members have a significantly higher repayment rate and also the result showed that the number of visits made by loan officers to the borrowers, higher level of education and time of loan disbursement would have a better

repayment performance. More ever borrowers with lower number of household members would meet their repayment obligation better than those with high number of household members and having access to business related information and providing training to the clients are increasing the loan repayment rate of the borrowers.

2.9 Summary and literature gap

As mentioned above various studies conducted on the determinant of loan repayment performance by different authors. As thus studies indicated loan repayment performance influenced by micro economic and bank specific factors. However, the impact of the variable differs depend on economic condition, loan policy, political stability etc. Most studies were conducted on customer behavior and socioeconomic factors that are associated which loan repayment. The income and other asset of the borrowers were not included. Thus, this research would focus additional factors like high interest rate collateral merciful credit term loan amount and loan follow up. it would search solutions that will enable the borrowers to repay their loan if the borrowers are relevant to do so and it will help to seek the conditions which help to create smooth relationship between the bank and the borrowers the study would also try to find the way in which the banks will able to minimize their credit risk.

CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

This section presents research methodology, the researcher used to conduct the research. It contains the design, sources and types of data, sampling procedure, and method of data collection, method of data analysis and method of data presentation.

3.1 research design

Briefly research design is a map for carrying the research to solve the existing problem going or it is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. Kothari (2004).

There are three research designs, such as: explanatory, exploratory and descriptive. Exploratory is detective work by curiosity and it is advisable for researcher use to find venture in to new territories in search of information. Explanatory is effective in terms of identifying, co variation between variables. Descriptive research studies are those studies which are concerned with describing Characteristics of a particular individual, or a group. In descriptive studies, the researcher must be able to define clearly, what he wants to measure and must find adequate methods for measuring it along with a clear-cut definition of population' he wants to study C.R KOTHARI, (1990) The researcher used descriptive study because it helps the researcher to explain nature of existing problem. The researcher selected this method to describe, summarize and present the data. The data is presented on descriptive bases by using tables and percentage that facilitate to interpretation which focuses on result that are relevant to the study.

3.2 Research approach

Basically, there are three types of research approaches qualitative, quantitative and mixed approach Cress well (2003). Quantitative research is the one in which the investigator primarily uses positivist claims for constructing knowledge. Positivists believe that reality is stable and can be observed and described from an objective viewpoint i.e., without interfering with the phenomena being studied. Philips (1990).

Qualitative approach to research is concerned with subjective assessment of attitudes, opinions and behavior. Research in such a situation is a function of researcher's insights and impressions. Such an approach to research generates results either in non-quantitative form or in the form which are not subjected to rigorous quantitative analysis cress well (2003).

Finally, the mixed approaches which is the composition of both quantitative and qualitative approach KOTHARI, (1990). For this study, the researcher used mixed approach, because, it covers the weakness of one by others, and it enables the researcher to measure and arrange data and more detail or rich data in the form of comprehensive evidence to achieve the objective of the study.

3.3. Data Type, Source, and Collection method

3.3.1 Data Type

The researcher used primary source of data. The sources of data were collected through close and open ended questionnaire to get possible responses from respondents.

3.3.2 Source of Data

The study is conducted by collecting data from primary and secondary sources. Primary data was collected from the staffs through questionnaires and interviews.

3.3.3 Method of Data collection

In organizing the study so as to meet the objectives of the study; primary data was used. The researcher collected primary data through questionnaire, A questionnaire processing a number of questions with both open and close ended types of question that are relevant and exhaustive as to the subject of the study will design in such ways that the respondent fill easily.

Questionnaire; as stated above the researcher used questionnaire for this study. This type of data collection method is quite popular, particularly in case of big enquiries. The question would have distributed to respondent who are expect to read and understand the question and write down the reply. This method of data collection is low cost, free from bias, the respondents have adequate time to give the answer and the respondents who are not easily approachable can also be reaching conveniently.

3.4.Target Population

The part of the general population left after its refinement is termed target population, which is defined as the group of individuals or participants with the specific attributes of interest and relevance (Creswell, 2003). In Gubrye town there is one branch of CBE. The target population of this study was focused on all employees of the bank in order to assess factors that affect the loan repayment performance of their borrowers. There are 20 employees in the bank.

3.5 Sample size and Sampling techniques

In this study, the researcher used to employ non-probability sampling, particularly, purposive sampling technique to get deep information from those deemed to have sufficient knowledge and information in study area. Due to large number of people available to give detail information about study, purposive sampling was to employ by judgment of the researcher. Collecting information from entire population and provide conclusion is time consuming, tiresome and costly, thus to avoid such problem. Purposive sampling technique is employed.

3.5.1 Sample Size

By using non-probability, particularly purposive sampling technique the researcher selected 12 informants from their experience and knowledge of the topic of the study and based on their convenient and availability of information in order to get more detailed information.

3.6 Method of data analysis

After collecting the necessary data from primary sources, the data is analyzed by using descriptive statistics. The researcher used descriptive data analysis method that is used to analyze the responses of the respondents and discussions. The most important activities of data analysis will start by editing and classifying the collecting data in to more meaning full and relevant information. Therefore, in this study the data was analyzed through descriptive method. In descriptive method, the study results comply in the form of table, percentage, ratio.

3.7 Ethical Consideration

The researcher was to try to make this study ethically acceptable and the following issue was emphasized. The consent of respondent's was gained, the purpose and significant of research was

explained to respondents, confidentiality was also emphasized and the researcher never entertained any bias.

The researcher was to try to voluntarily to cooperate with respondents and respondents do not forced to participate at any participation area. The respondent right and dignity was also respected in order to keep confidentiality of each respondents' name were not include.

Chapter Four

Data presentation, analysis and indetermination

3.1 INTRODUCTION

Most of the data collected were organized in textual form followed by description. The information obtained from secondary sources was used as sup. This part of study deal with presentation and analysis of data gathered from the participants of private commericial banks in Gubre Town, through questionaries' As the result, the responses were expected to be sufficient to assessing meaning to the collected data and determine the conclusions, significance and implication of the finding. The researchers analyzed and presented the data as detailed below in the following manner.

Table 1: Respondent's personal information

	Description	**No of respondents**	**Percentage**
Gender	A, Male	12	100%
	B, Female		
	Total	12	100%
Age	20-30	5	42%
	31-40	7	58%
	41-50	-	0%
	50 above	-	0%
	Total	12	100%
Educational status	Diploma	4	33%

	Degree	6	50%
	Master's degree	2	17%
	Total	12	100%
Work experience	1-3 years	5	42%
	3-6 years	6	50%
	6-10 years	1	8%
	> 10 years	-	0%
	Total	12	100%
1.Current position in the organization	Manager	1	8%
	Vice manager	1	8%
	Loan officer	2	17%
	Employees	8	67%
	Total	12	100%

As shown in the above table 3.2 it can be observed that of 12 employees representing 100% were male and there are no female employees in the organization. this indicates that all of the respondents in the organization were males.In the case of classification of respondents by age, 5 respondents, representing 42% are their age between 20 – 30 years and the remaining 7 respondents, representing 58% are their age between 31- 40 years. This indicates that the largest (58%) employee's age is lies between 32 – 40 years. Therefore, these shows the largest employees are young and there is no old employee in the bank.with regarding to level of education 33% of the respondents were deploma holder, 50% of the respondents were degree holders and 17% of employees were master and above among this the majority of respondents were degree holders it helps to collected relevant data for the study. According to work experience 42% of the respondent was between 1-3 years, 50% of the respondents were 3-6 years, and 8% of the respondents were 6-10 years, and also there is no above 10 years work experience in the organization. As a result, most employees work experience between 3-6 years this indicates in the experience of the employees were more important for the organization

productivity and profitability according to the current position in the organization 67% of the respondents were employees 17% of the respondents were loan officer, 8% of the respondents were manager and 8% of employees were vice managers this indicates the majority of respondants were employees.

Table 3.3 response to training about rules and regulations

response to training about rules and regulations	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
	freq	%	freq	%	Freq	%	freq	%	Freq	%
1. training about the rules and regulation of the loan is performing well?	2	17%	6	50%	3	25%	1	8%	-	-

Source:- /questionnaires,2020/

The above question in table 3.3 shows that 17% of the respondents were responded strongly agree in training about the rules and regulation of the loan is performing well, 50% ,of the respondents were responded agree, 25% of the respondents were responded neutral, and 8% of the employees responded disagree. Therefore, the majority of the respondents were responded that agree about training the rules and regulation of the loan is performing will. As a result training is the most important requirements for the success of bank; they also develop skill on how to do business and money utilization, the important of training on improving of loan repayment performance needed not only for clients but also for loan officers.

In both case it has a positive contribution to the loan repayment performance training about the rule and regulation of the loan is contributed for high repayment performance rate. this study gain knowledge of the lender provide various training, the clients will able to understand the rule and regulation easily, which provides that the frame work or lending and guide the credit grating activities of the bank. As a result, they were no failing to repay loan in accord

Table 3.5 factors indicating the relationship between credit term and loan repayment performance

factors indicating the relationship between credit term and loan repayment performance	Strongly Agree		Agree		Neutral		disagree		Strongly disagree	
	Freq	%	freq	%	Freq	%	freq	%	Freq	%
2. Poorly negotiated credit term leads to loan non-performing?	7	58 %	3	25%	0	0%	2	17%	0	0 %

Source: /questionnaire, 2020

According to the above question in table 3.5 shows that, 58% of the respondents were responded strongly agree in poorly negotiated credit term leads to loan non performing, 25% of respondents were responded agree and 17% of respondents were responded dis agree. This shows that the majority of the respondents were responded that strongly agree about poorly negotiated credit term loans to poor loan repayment performance that means the credit term become short that the repayment rate become low because the borrowers is not due the exact period of the loan payment so, that credit term affect its loan repayment performance.

Table 3.6 the relationship between understanding credit term, growth in credit term and loan repayment performance.

Relationship between understanding credit term, growth in credit term and loan repayment performance.	Strongly Agree		Agree		Neutral		disagree		Strongly disagree	
	Freq	%	freq	%	Freq	%	freq	%	Freq	%
3. Borrowers default because they did not understand credit term well?	4	33%	5	42%	2	17 %	1	8%	0	0%
4. with growth in credit terms leads to increase default rate		%	7	58%	0	0%	3	25%	2	17 %

Source: / questionnaire, 2020/

According to the above table 3.6 shows that 33% of respondents were responded strongly agree on the statement of borrowers default because of they did not understand the credit term well, 42% of respondent were responded agree, 17% of respondents were responded neutral and 8% of respondants were responded disagree, As the result majority of the respondents were responded agree about borrowers default because they did not understand credit term well.

This entail that clients have understanding about credit term as well. With regard to factors relating growth of credit terms 58% of respondents responded agree, 25% of respondents were responded disagree and 17% of respondants were responded strongly disagree. This shows with growth in credit term comes growth on default rate if the borrowers get good deal with the lender

on the credit term of the loan they will be in position to repay the debt, so credit orientation significantly loan default rate.

Table 3.7 relation between collateralizing loan and loan repayment performances

relation between collateralizing loan and loan repayment performances	Strongly Agree		Agree		Neutral		disagree		Strongly disagree	
	freq	%	freq	%	Freq	%	freq	%	Freq	%
5. Collateralized loans perform well in the bank?	3	25%	5	41%	2	17 %	2	17%	0	0%
6. Collateralized loans help to protect loan default?	4	33%	5	42%	0	0%	3	25%	0	0%

Source:- /questionnaires,2020/

According to table 3.7 shows that, 25% of the respondents were responded agree in collateralized loans help to protect loan default, 41% of the respondents were responded agree, 17% of the respondents were responded natural and 17% of responndants were disagree, Therefore the majority of the respondents were responded that agree about bank use collateral to providing loan to the customer. Banks are not lent without any collateral. It is something valuable which is pledged to the bank by the borrower to support the borrower`s intention to repay the money advanced.

On the other hand, 33% of the respondents were responded strongly agree, 42% of the respondents were responded agree 25% of the respondents were responded disagree, As a result, the majority of the respondents were responded that agree about collateralized loan to protect poor loan repayment performance by means of estimating the collateralized loan to protect poor loan repayment performance by means of estimating the collateralized loan to protect poor loan repayment performance by means of estimating the collateral amount to compare with that

of lending amounts. According to the table we understand that, since the borrower`s property /such as home, or vehicles/behind them as collateral that have to be sold if the borrower defaults and has on other way to repay the lender they repay the loan with compliance to the agreement as well as collateralized loan /security/ is used to reduce the risk of giving credit by increasing the chances of the lender recovering the amounts become due to the borrowers.

Table 3.8 Relationship between strict monitoring and loan repayment performance

Relationship between strict monitoring and loan repayment performance	Strongly Agree		Agree		Neutral		disagree		Strongly disagree	
	freq	%	Freq	%	Freq	%	freq	%	Freq	%
7. Strict monitoring ensures good loan repayment performance?	3	25%	7	58%		17 %	0	0%	0	0%

Source;- /questionnaire, 2020/

According to the above table 3.8 shows that 25% of the respondents were responded strongly agree in strict monitoring ensures good loan repayment performance, 58% of the respondent were responded and 17% of the respondants were responded neutral,Most of the respondents agree that strict monitoring is believed to insure high quality of loan repayment performance. This indicates that, if the banks monitor their borrowers property and give due attention to the borrowers and what they are doing with the money and then recognize warning signs early enough there may be a tendency by borrowers to give better attention to their loans when they perceive they got better attention as a result the borrowers are on the position of good loan repayment performance.

3.9 Response in loan follow-up and loan repayment performance

Response in loan follow-up and loan repayment performance	Strongly Agree		Agree		Neutral		disagree		Strongly disagree	
	freq	%	freq	%	Freq	%	freq	%	Freq	%
8. Loan follow-up is directly related to occurrence of loan prepayment performance?	2	17%	3	25%	1	8%	6	50%	0	0%
9. Banks with higher budget for loan mentoring have lower loan repayment performance?	3	25%	7	58%	0	0%	2	17%	0	0%

Source:-/questionnaires, 2020/

According to the above table 3.9 shows that 17% of the respondents were responded strongly agree in loan follow up is sirecyly related occurrenxe of loan repayment performance, 25% of the respondents were responded agree, 8% of the respondents were responded natural and 50% of the respondents were responded disagree, As a result the majority of the respondents were responded that disagree about loan follow up is directly related with loan repayment performance, this indicates that loan follow up would never substitute credit analysis or assessment performance, this indicates that loan follow up would never substitute credit analysis or assessment /monitoring the loan/ if the banks monitor their borrowers property, and give due attention to the borrowers and what they are doing with the money and then recognize warning sings early enough, there may be enough there may be a tendency by borrowers to give better attention as a result the borrowers on the position of good performance to repay the loan

On the other hand, 25% of the respondents were respondents were responded strongly agree about banks with higher budget for loan monitering have lower loan repayment performance, 58% of the respondents were responded agree, 17% of the respondents were responded disagree,Therefore, the majority of the respondents were responded that agree about banks with higher budget for loan monitoring have lower loan repayment performance that when the bank control the credit system with a higher budget the loan repayment performance become low as a result there is a high amount of nonperforming loan.

Table 3.10 factors indicating interest rate, credit terms and loan repayment performance

factors indicating interest rate, credit terms and loan repayment performance	Strongly Agree		Agree		Neutral		disagree		Strongly disagree	
	freq	%	Freq	%	Freq	%	freq	%	Freq	%
10. charging big interest rate leads to poor loan repayment performance	2	17%	5	41%	0	0%	3	25%	2	17 %

Source:- /questionnaires,2020/

in the above table 3.10 shows that,17% of the respondents were respondedstrongly agree about charging big interest rate leads to poor repayment performance, 41% of the respondents were responded agree, 25% of the respondents were responded disagree,and 17% of the respondents were responded strongly disagree. As a result, the majority of the respondents were responded that agree about charging big interest rate leads to poor loan repayment performance, this indicate that banks that charge high interest rate would comparatively face a higher default rate or non-performing loans, that means non-performing loan high loan repayment performance is low. So, interest rate is one of the determinant factors affecting loan repayment performance.

Table 3.11 factors indicating loan amount, loan reputation on loan repayment performance

factors indicating loan amount, loan reputation on loan repayment performance	Strongly Agree		Agree		Neutral		disagree		Strongly disagree	
	freq	%	freq	%	Freq	%	freq	%	Freq	%
11. high loan amount leads to low loan repayment performance?	3	25%	5	42%	0	0%	3	25%	1	8%
12. Bank whose credit growth is rapid experience leads to huge loan repayment performance?	5	42%	4	33%	0	0%	3	25%	0	0%

Source:- /questionnaires, 2020/

According to table 3.11 shows that 25% of the respondents were responded strongly agree in high loan amount leads to low loan repayment performance, 42% of the respondents were responded agree. 25% of the respondents were responded disagree and 8% of the respondents were responded that strongly agree, As a result the majority of the respondents were responded that agree about high loan amount leads to low loan repayment performance that means efficient loan sizes fit borrower repayment capacity and stimulate enterprise, if the amount of loan released is enough for the purposes intended it will have a positive impact on the borrower`s capacity to repay.

On the other hand, 42% of the respondents were responded strongly agree about bank whose credi growth is rapid experience leads to huge loan repayment performance, 33% of the

respondents were responded agree, and 25% of respondants were reaponded disagree.Therefore, the majority of the respondents were responded that strongly agree about banks whose credit growth is rapid experience leads to hug loan repayment performance.

Table 3.12 factors indicating the relationship between loan reputation and loan repayment performance

factors indicating the relationship between loan reputation and loan repayment performance	Strongly Agree		Agree		Neutral		disagree		Strongly disagree	
	freq	%	freq	%	Freq	%	freq	%	Freq	%
13. having large number of borrowers cause poor loan repayment performance?	3	25%	4	33%	2	17 %	3	25%	0	0%
14. loan defaulted become low if the borrowers repeatedly borrowed	5	41%	3	25%	2	17 %	2	17%	0	0%

Source:- /questionnaires, 2020/

According to table 3.12 shows that 25% of the respondents were responded strongly agree having large number of borrowers cause poor loan repayment performance 33% of the respondents were responded agree, 17% of the respondents were responded neutral and 25% of respondants were responded disagree .As a result the majority of the respondents were responded that agree about having large number of borrower causes poor loan repayment performance by different factors. As a result the borrowers become large of its lead to poor loan repayment performance. From this result the researcher gain knowledge of large number of May or may not

lead to loan default. Because it is essentially depend on the ability of the lender to monitor regularly and other factors which argue

On the other hand, 41% of the respondents were responded agree about loan defaulted become low if the borrowers repeatedly borrowed, 25% of the respondents were responded agree, 17% of the respondents were responded neutral and 17% of respondants were responded disagree. as a result the majority of the respondent were replied that strongly agree about loan repayment performance low if the borrowers borrowed repeatedly become low if the borrowers repeatedly borrowed. As indicated from the survey result, there are borrowers who borrowed more than once and loan default became low if the borrower repeatedly borrows from this the borrower is repeated one he may have acquired more experience on the banks rule and regulation, hence could efficiently utilize the loan for the intended purpose.

Chapter Five

CONCLUSION AND RECOMMENDATION

5.1 CONCLUSTION

The broad objective of this research was to identify factors affecting loan repayment performance. Based on the broad objective a number of specific research questions were developed. To achieve this broad objective, the study used both quantitative and qualitative research approach. The results showed that based on the respondents view it was evident that most likely determinant factors that affect loan repayment performance in Ethiopian private commericial banks in Gubre. The study indicates that training is one of the important requirements for the success of lending institutions. If the lender provide various training, the clients will able to understand the rule and regulation easily. They also develop skill on how to do business and money utilization. In addition to this, the study almost all lending institutions particularly borrowed on the base of collateral.

Besides, banks are not lend without any collateral to ensure the full commitment of the borrower, to provide protection should the borrower deviate from the planned course of action out lined at the credit is extended, and to provide insurance should the borrower default. Therefore, if the borrower secures high valued collateral they may feel that it will not be loss in case of loan default. As a result, borrower will be in a position to repay the debt.

The banks monitor their borrower`s property and give due attention to the borrowers and what they are doing with the money and then recognize warning signs early enough there may be a tendency by borrowers to give better attention to their loans. When they perceive they get better attention this found to be encourage repayment, hence reduce the probability of loan default.

However, a bank can use different ways to monitor the borrower, such as follow up the financial stability of a borrower can be done by periodically scrutinizing the operations of the accounts,

examining the statements and ascertaining the value of security are found to be encouraging loan repayment performance.

This study also give you an idea that if the amount of exceeds what they needs and can handle it value the more of a burden than an extra funds may be personal use there by undermine repayment performance. If the loan is too small, it may also encourage borrowers to divert the loan other purposes.

Finally the study found that if the borrower is liable customer he/she may have acquired more experience on the bank rules and regulations, hence could efficiently utilize the loan for the intended purpose and paid at the ordered time.

5.2 Recommendations

After close examination and analysis of the research findings, the following recommendations are suggested.

Banks should be made periodic assessment of the health of the loans and advances by some of the key indicators of performance that might include profitability activity level management of the unit and ensure that the assets crated are effectively utilized for productive purposes and are well maintained.

Since, after of security influences the lender`s decision whether or not to lend and it also changes the term on which he is prepared to lend, typically by increasing the amount of the loan, by extending the period for which the loan is granted and by lowering the interest rate. Banks should be giving more attention on the recording of borrower`s property used by collateral.

Banks should be attention to provide training about the rules and regulations of the loan for their clients. This is because of training is not only important for the borrowers to understand the rule and regulation easily and to develop skill on how to do business and money utilization but also for loan officers.

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APPENDIX

Wolkite University

College of Business and Economics

Department of Accounting and finance

Questionnaires for Managers and Employees of Debub Global Bank

The purpose of this questionnaire is exclusively for academic purpose which is intended to obtain relevant information for *Determinants of Loan Repayment Performance*

The findings of this study shall greatly depend on your bank for which I am grateful in advance. To achieve this, you are kindly requested to co-operate by giving responses for the following questions. There is no need of writing name and please indicate your answer by putting *"✓"*.

Part I: Personal Information

1 Sex male ☐ female ☐

2 Age: 20 – 35 ☐ 36-50 ☐ above 50 ☐

3, Work experience A, 1-3 years ☐ B, 4-6 years ☐ C, 7-10 years ☐ D, Above 10 years ☐

4 Qualification: Accounting ☐ Economics ☐ Management ☐

Banking and finance ☐ if any specify

5. Educational back ground: Diploma ☐ Degree ☐ Masters ☐

6 Current position in the organization A, Manager ☐ B, Vice branch manager ☐

C, Loan officer ☐ D, Employee ☐

<u>Part Two</u>:-**The main questions**

Instruction: Mark "√" or "×" at the right hand side of the statements presented below to show your level of agreement/disagreement to the statement pertaining to credit term and loan repayment performance.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
5, Training about the rule and regulation of the law is perform well					
6, Know your customers policy of the bank lead to high default rate					
7, Poorly negotiated credit terms to loan non performance					
8, Borrowers default because they did not understand credit terms well					
9, With growth in credit terms leads to increase in default rate					

Instruction: Mark "√" or "×" at the right hand side of the statements presented below to show your level of agreement/disagreement to the statement pertaining to collateralized loan and loan repayment performance.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
10, collateralized loans					

perform well in the bank					
11, collateralized loan help to protect loan default					

Instruction: Mark "√" or "×" at the right hand side of the statements presented below to show your level of agreement/disagreement to the statement pertaining to credit monitoring and occurrence of loan default.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
12, strict monitoring ensures good loan repayment performance					
13, Loan follow up is directly related to occurrence of nonperforming loan					
14, Bank with higher budget for loan monitoring have lower loan non-performing					

Instruction: Mark "√" or "×" at the right hand side of the statements presented below to show your level of agreement/disagreement to the statement pertaining to credit size, loan reputation and occurrence of loan default.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
15, Charging big interest rate to poor loan repayment performance					
16, High loan amount leads to large default rate					
17, Bank whose credit growth is rapid experience leads to huge non-performing loan level					
18, Having large number of borrowers case loan default					
19, loan default become low if the borrowers repeatedly borrowed					