

**COMPARATATIVE ANAYALSIS OF LOAN AND ADVANCE PROVISION IN
METEMAMEN AND OMO MICRO FINANACE INSTUTATION IN WOLKITE TOWN**



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ABSTRACT

The objective of this research paper is to examine the comparative analysis loan and advance provision in metemamen and omo microfinance institutions in wolkite town. The study was use descriptive research design. Because, The study is to assess comparative analysis of loan and advance provision in omo and metamamen micro finance institutions. Especially this objective can be improving the department performance measurement techniques by using randomly Sample technique of form the sample selection of clients was made for the convenience of Conducted the research. The branch has a manager, 2 tailors, 4 credit officers, 2 saving officers, and 2 accountants out of these manager, credit and saving officers are assumed to have direct contact with the credit and saving procedure were selected for interview and filled the questionnaires. Data was collected both from primary and secondary sources; primary data was to collect by using both interview and questionnaires. Interview was conduct from department head and employee. Questionnaire was distributed to the selecting employee's related leader of the department, secondary data was from published and an published documents. The process was researcher the objective of the study after the necessary primary and secondary data have been collected and was to started by editing and classifying The collected data was use analyzed by using descriptive analysis method according, percentage and frequency count was to analyzed and interpret the data collect form respondents descriptive were table and, with percentage. According to the findings the following possible recommendations are presented. Even if the credit is not collected with the specified period, the institution must be ready to make change like; increasing the grace period of those activities which require longer period and sale the product eg. Metal works wood works.

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Abbreviation

AEMFI:=Association and Ethiopian Micro Finance Institution

CM:=Credit management

MF:=Micro finance institution

MNGT:=Management

CHAPER ONE

1. Introduction

1.1 Background of the study

Microfinance has been defined as the provision of financial services such as deposits, loans, payment services, money transfers, and insurance to low-income, poor and excluded people Enabling them to raise their income and living standards He led the way with pilot group lending scheme for the land less people, finally this become Grameen Bank which is used as model for many countries in the world. When we come to Ethiopia the government appreciates and support micro finance institution, (Abinet, 2007).

To undertake proper mobilization of funds, financial institution practice is to reduce poverty and increase the level of income in order to get people above the poverty line, especially in developing country and to increase the economic status of the people and nation. As micro finance institution plays critical role in uplifting the level of income, this thesis tried to explore different level of impact by comparing the financial services provided by them. While comparing such effects, various size and locations are also taken in consideration micro finance institution is involves many activities ranging from credit investigation to contract with borrowers, appraisal review and follow- up, documentation nursing, recovery and write offs, having two main functions: Those are credit sanction (Provisions) and credit follow up functions which are valuable in managing credit it risks, improves return from credit and making proper credit decision of the institution (Yaregal, 2007).

Currently micro finance institution had risen with the objectives of providing very small amount of loans to the entrepreneurs who want to start business on their own this micro finance institution is to reduce poverty and increase the level of income in order to get people above the poverty line, especially in developing country and to increase the economic status of the people and nation. As micro finance institution plays critical role in uplifting the level of income, this thesis tried to explore different level of impact by comparing the financial services provided by them. All the above problems related to the microfinance industry are comparatives analysis of loan and advance of any MFI in developing country like Ethiopia.

Several studies noted different causes for poverty in a country. Some argued that the cause of poverty in developing economies among other things is that the poor does not have access to credit for the purpose of working capital as well as investment for its small business (Jean-Luc 2006). To this end many developing economies have developed and have been providing credit to the poor through microfinance schemes. The experience of several Asian, African as well as Latin American countries could be a typical example for this (Meyer 2002). The study will be assess the loan and advance provision metemamen and omo Microfinance Institution in Wolkite Town.

1.2 Statement of the problem

Microfinance in Ethiopia has been established in Accordance with the proclamation issued by the national bank of Ethiopia in 1996. Microfinance is one of the financial institutions that provides loans to clients to help them engage in productive activities and to raise their small business. (Dan, 2010) Al-Tamimi and Al-Mazrooei (2007) also noted that financial institutions including micro finance institutions are a business mostly associated with risk of loan because of their high exposure to uncertainty. They also noted that risk of loan is one of MFI liabilities of the operations and procedures being followed. In today's dynamic environment, all micro finance institutions are exposed to potential loan risks. Due to such exposure to risk of loan, efficient loan risk management is required.

Micro finance institution is to reduce poverty and increase the level of income in order to get people above the poverty line, especially in developing country and to increase the economic status of the Low level of education and lack of skill based trainings in developing countries make business Proposals fail at micro-level. Business plans designed by poor fail due to the lack of skill Based trainings on specific to the work area, resource management, and technological aspects. In Ethiopia, MFIs are providing loan to people who are living in urban and rural areas, these Clients need such skill development trainings to make them succeed in plan implementation and minimize loan default. Provision of loan is not the final goal of MFIs in poverty reduction; rather it is making people improve their living condition through microfinance services. (Jemal, 2003)

As micro finance institution is involves many activities ranging from credit investigation to contract with borrowers, appraisal review and follow- up, , having two main functions: those are credit sanction (Provisions) and credit follow up functions which are valuable in managing credit

it risks, improves return from credit and making proper credit decision of the institution (Yaregal, 2007). All the above problems related to the microfinance industry are comparative analysis of loan and advance provision in metemaman and omo MFI in developing country like Ethiopia. There is different study on analysis of loan and advance provision on some micro finance institutions. but there is no research done on analysis of loan and advance provision in Metemamen and omo micro finance institutions in Wolkite town. Therefore, the study was comparative analysis' loan and advance provision in metemamen and omo micro finance institution in wolkite town by filling this gap.

1.3 Research question

- What method the omo micro institutions use to follow up the loan?
- What policies and procedures the omo micro institution follows?
- What are the monitoring mechanisms to collect credit in the institution?

1.4. Objective of the study

1.4.1. General objective

The main objective of the study is to examine the comparative analysis loan and advance provision in metemamen and omo microfinance institutions in wolkite town.

1.4.2. Specific objectives

- To assess the effectiveness of polices and procedure the institution follows in providing loans and advance provision in metemamen and omo microfinance insttution.
- To assess the methods of the institution uses to follow up loan and advance provision in metemamen and omo microfinance institution
- To assess the monitoring mechanism used by the institutions to collect credit.
-

1.5. Significance of the study

As explained earlier, targeting credit to the poor is one of the several instruments of reducing poverty. Study is going to enhance the competitive position of loan and advance provision in metemamen and omo micro finance institution by finding ways that improve the loan provision system of the institutions. The study also believes that the result of this study will pave the way for the clients of the institutions and used as base for the new comer researcher.

1.6. The scope of study

The researcher study was conducted to comparative analysis loan and advance provision metemamen and omo micro finance institutions in wolkite city restricted to loan provision MFI Wolkite town, which is operating in Wolkite town and the surrounding rural areas in SNNPR regional state geographical terms and the loan and advance provision an aspect of the metemamen and omo micro finance institution.

1.7 limitation of study

Shortage finance, Shortage of time because cov 19, 2012 year it more dangers time, Shortagemoney are limit to study more.

1.8 Organization of study

This study was have five chapters. The first chapter consists of the background section, statement of Problem, the research questions, the research objectives, significance of the study, scope of limitation of study, the Study and organization of the study. The second chapter presents a Review of related literatures. The third chapter describes the research design and methodology. The fourth chapter is data analysis and discussion. The fifth chapter is recommendation and conclusions.

CHAPTER TWO

Literature review

2.1 Microfinance and Microfinance Institutions (MFIs)

Microfinance has been defined as the provision of financial services such as deposits, loans, payment services, money transfers, and insurance to low-income, poor and excluded people enabling them to raise their income and living standards (Rhyne and Oreto, 2006). It consists of lending and recycling very small amounts of money for short periods. It is helping millions of poor people, especially poor rural women, with small loans so they can start or expand small business, create self-employment and improve their lives. Through microfinance coming in to being, the poor people not only obtained financial service in better way than from formal Financial service, but also have been saved from exploitation by local creditors who charge extraordinary interest. In-line with this idea, Qayyum et al (2006) argued that, microfinance emerged as a noble substitute for informal credit and an effective and powerful instrument for poverty reduction among people who are economically active but financially constrained and Vulnerable in various countries.

Furthermore, Robinson (2001) forwarded an interesting comprehensive definition of Microfinance as: microfinance referred to small-scale financial services- primarily credit and saving- provided to people who farm or fish or herd; who operate small enterprises or microenterprises where goods are produced, recycled, repaired, or sold; who provide service; who work for wages or commissions; who gain income from renting out small amount of land, vehicles, draft animals, or machinery and tools; and to other individuals and groups at the local levels of developing countries, both rural and urban in other words, microfinance has been associated with helping or empowering the poor to account properly and independently for their small businesses and thus manage their livelihoods

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in better way. Other interesting trend is that; poverty alleviation has been a long-term goal of Governments and key international institutions such as the World Bank, United Nations, and several organizations doing on development seeking the more effective way of reaching the poor. The aspect of microfinance that attracted the attention of those development organizations as a strategy for poverty alleviation lies in its ability to reach the grassroots with financial services. As an innovative form of financial intermediation with the poor, microfinance is in effect double Tasked to achieve specified developmental ends and goals through particular means such as Group-lending methodologies through which the poor can borrow money and mutually assure.

2.1.1 Microfinance in Ethiopia

Formally in Ethiopia stated in 1994 -95, in particular, the licensing and supervision of institution proclamation of the government encouraged the spread of institution proclamation of the government encouraged the spread of institution currently, there are 29 licensed micro finance institutions reaching about 2.2 million actives borrowers with are outstanding loan of a portfolio of a approximately 4.6 billion concerned the potential demand, particularly in rural areas, this satisfies only on insignificant proportion (WWW aemfi- Ethiopia.).

Micro finance institution plays a central role in all modern financial systems and loan provide. To perform its role effectively, they must be safe. The single most important assurance is the economic value of microfinance institution assets to be worth significantly more than the liabilities that it owes. The difference represents a cushion of “capital” that

is available to cover losses of any kind. However, the global financial crisis underlined the importance of a second type of buffer, the “Liquidity” that enables micro finance institutions to cover unexpected cash outflows. A micro finance can be solvent, by holding assets that exceed its liabilities on an economic and accounting basis, and still die a sudden death if the micro finance does not have enough liquidity to meet its obligations when they fall due including continuing obligation such as those to fund the holding of assets (BCBS, 2004). In case of a loan shortage, they rely on a loan assistance of Lender of Last Resort (Vodova, 2011). Thus, large micro finance institutions are likely to perform higher levels of loan creation that exposes them to associated to satisfy the loan demands of customers (Kiyotaki and Moore, 2008). According to (Ghafoor, 2009), nonperforming loans are loans that a micro finance customer fails to meet his/her contractual obligations on either principal or interest payments exceeding the scheduled repayment dates. Thus, Non-performing loans (NPLs) are loans that give negative impact to micro finance institutions in developing the economy. Rise of non-performing loan portfolios significantly contributed to financial distress in the financing sector.

The financing systems play the central role of mobilizing and allocating resources in the market by channeling fund from surplus economic units to deficit economic units. This activity of transforming short term deposit to long term loans & advances will generate most profits for micro finance institutions. However, it involves high risk and eventually if not managed properly will leads to high amount of non-performing loans. The increased on non-performing loan reflects deteriorated asset quality, credit risk and its inefficiency in the allocation of resources. According to Bloem and Gorter (2001), though non-performing loans may affect all sectors, the most serious impact is on financial institutions which tend to have large loan portfolios. On the other hand, large volume of nonperforming loans portfolio will affect the ability of micro finance to provide credit and leads to loss of confidence and liquidity problems. Therefore, the amount of non-performing loans has a negative impact on micro finance’s liquidity.

2.1.2 Micro finance as Anti- Poverty strategy

The recent definition of poverty by the World Bank extended the conceptual dimension beyond the conventionally held idea of permanent income/ consumption of lack of income) assets, sense of hopelessness and strategies not only need to create income earning opportunities, but also must empowerment of the poor in the sphere of state social in situations, and security against

variety of shockers. Micro finance is believed to be one important entry point to addressing many of them. But services are limited in some urban areas, neglecting the majority of the poor. In Ethiopia, for example, the development banks the commercial bank of Ethiopians, having their branches in urban and semi urban, provide virtually no access to the rural population AISD, private banks, through growing in number don't engage themselves in this raids.

According to an earlier study. In rural Ethiopia as a whole, less than 1% of the population has access to this source consequently, accessing credit for small scale and informal operators continue to pose a major constraint to growth of the sector. The alternative is the "informal" financial sector, mainly the individual money lenders. In this case, borrowers are required to provide guarantors and the interest rate is existing remedy high, varying from 50% to 120% that the errata interest can 90 highs as 400% in some instances. And this exploitive interest rate of the informal sector diminishes potential reform to factors of production, and is a constraint to diversity economic activities of the rural sector. The feeder government of Ethiopia has taken several economic reform measures to address poverty in its every aspect. Thus, while trying to fulfill the basic needs of the population, it also embarks up on economic reform measures conducive for free market competition and employment creation which includes the promotion of policies that will encourage saving, private investment, increasing income earning opportunities and promotion of small –scale in dustiest in the informal sectors among others. The five-year development program document emphasizes, among others, credit as a means to increase small holder production (EPR DR, 1992E.C). fanatical markets are considered by the regional governmental as a good entry point in achieving food security objectives as the will allow rural households in both foods secure and in secure area to explore their "comparative advantage" in the market place and to create (AEMFI, 2000). Thus, in addition to promoting provision of credit through government channels, the program encourages micro finance institution to prone their services of credit provision and saving mobilization. However, even of policies aimed at changing the regulatory environment were expected to pave the way for increased fellows of resources to rural and informal sectors, micro financial services are very in adequate still. ([http:// www.Ruralpovertyportal.org.web.gues](http://www.Ruralpovertyportal.org.web.gues))

2.1.3 The concept of micro financing and its objectives

Microfinance referred to as small scale financial services render to the rural and urban poor, providing credit for self-employment, and small business, and includes saving and technical assistance microfinance schemes have recently aroused interest among policy makers and researchers as vehicles of poverty mitigation. Pioneered by the German bank in Bangladesh, most micro finance program required the poor to form groups and repay the loan in small and periodic installments under micro finance service, concept of money. Lending has been institutionalized, rationalized and reformed for the sustainability of both borrowers and lender. It may encompass the provision of financial and other support services like savings, collateral free credit, insurance to the poor and it addresses the issues relating to poverty; and unemployment; micro finance institutions have been established in accordance with the proclamation issued by the national bank of Ethiopia in 1996. there are about 30 micro-finance institution. All of them are share companies administered by their respective board of directors. The central objective of this financial institution is to provide credit and saving services to the poor. Micro financial with gentilities whose cash requirements are small. The micro finance lending program has many objectives. Among these, some of the objectives are: to provide credit facilities for those urban and rural poor people from paying high interest rates to the informal money lender, improve the economic capacity of women and the saving habit of the people, vitality and use the local material effectively and enhance investment and income of the society (Daniel, 2010)

2.1.4. Mechanism for screening defaulting

Market interest rate is commonly used for screening borrowers. This technique has the objective of encouraging loan taking on the basis of prospective returns, and not to capture subsidies. Self-selection is another mechanism used to avoid defaulter borrowers. In using this mechanism, prospective members are asked to form groups by themselves, and screen in favor of those they believe will repay the loan. The group lending methodology removes the main entry barriers for those with no collateral, limited literacy, weak technical knowledge and narrow prior money management experience. The other mechanism is character reference this is the use of officials or power structure to approve loan applications. This may have negative effect on screening out of the poor but may be used effectively in areas where the power structure in the community is defined and strong. The poor are usually excluded because of the fear that they can't their loan repayment obligations. However, there are mechanisms for ensuring the repayment of loan on

time by poor borrowers with out. These me charismas in dude intensive supervision, peer group monitoring, and provision of incentives to borrowers and staff of the institution. Intensive supervision is concerned with the regular meetings of credit officers in or near the homes of borrowers, though it may be costly to the institution. Frequent follow up on the borrower and their activities has significant impact on the repayment of the loans. One effective strategy is to place the credit officer within the borrowing community or opening a one-man satellite office from where the credit officer can easily follow-up why a particular member failed to meet his/her obligation. Failure to repay in front of the public also creates psychological pressure on the borrower there by forcing him to meet obligations. Moreover, borrower incentives can be provided in the form of rebate of interest on loans repaid early, in addition staff. Incentives can be related of the amount of loans repayment under this arrangement; the MFIS staff may receive financial bonuses. Directly related to the repayment performance of their clients over a given period of time progressive lending is also a mechanism under which borrowers are able to gain repeated access to loans if they repay on time. Finally, borrowers can have bequeathed to make compulsory saving in which a small amount is contributed regularly in to a group saving fund that provides insurance or collateral for the loans of all group members. In case of repayment failure, the saving can be used for covering, At least some portion of the loans they may be defaulted. This is also practiced by most MFIS. Some MFIS require clients to save ascertain proportion before they are granted the loan. This shows the commitment of the borrowers provided that they continue with regular saving after the loan. The above mechanisms are more or less conventional and are practiced by many MFIS in Ethiopia. However, MFIS, need to be innovative and creative experimenting with new approach under their own contexts (Daniel, 2010).

2.3. Credit management an over view

CM is one of the major functions, which financial institutions undertake for proper mobilization of funds the credit management function includes loans and advances it also involves a large number of activities ranging from credit investigation to contract with borrowers, appraisal, review, and follow- up, documentation nursing, recovery and write offs. Safety of a financial institution loan or advance is advance is directly to the basis on which decision to and is taken, the type and quantum of or credit to be provided and the terms and condition on which the loan will be made available consequently, a two pronged approach is required to be followed to

ensure the safety of each loan. Presentation appraisal to determine the acceptability of each loan proposal and Post sanctions control to ensure proper documentation, follow-up and supervision (Daniel, 2010).

2.3.1. Presentation appraisal

Is concerned with the measurement of the riskiness of a loan proposal not only financial data relating to the past and projected working results are required but, a detailed credit report is compiled on the borrower, if any, based in information collected from the borrower, market reports, final audited accounts, income tax and wealth tax returns. Assessments for orders and confidential information called for from other lenders and financial insinuations with whom the parties have clearing the credit report has to be up dated periodically. It is important sources of reliable information of preparing the risk profile of the borrower and for preparing the risk profile of the borrower and for finalizing the credit rating of the borrower. The credit report reveals the personal details of the prospector, partner or calibrators of the firm as well as his/their assets and liabilities including indebtedness to other parties such as lenders and financial institutions. The CR as a personal profile of the borrower if kept up to date is particularly use full when the borrower /safety is financially embarrassed and the bank makes efforts to have his personal assets attached. (IBID).

2.5. Credit policy system and procedures

Policy is a general rule to guide each Decision. A well-developed credit risk management policy ensures the success of financial institution in addition a well-conceived credit management policies are essential for financial institution to perform their functions effectively and minimize the risk inherent in any extension of credit. Financial institutions need policies specifying how much of what kind of loans will be made, of whom and under what circumstances (determining the site of loan portfolio, specifying the types of loans and policies affecting loan firms) (Daniel, 2010).

Many people believe that well developed credit policy has the following advantages

- They set objectives standards and parameters to officers who grant loans and manager loan portfolio.
- They are a basis for evaluating lenders credit performance guide lender management.

- If they properly formulated, they enable lender mngt. to maintain proper credit standards, avoid excessive risks and evaluate business opportunities properly.
- They also have great contribution to good CR management, advance policy reduces alternative coarsest of /actions and simplest the decision making process.
- A sound policy contributes to a lender's success by supporting prompt credit decision.
- It provides the frame work for the entire credit management process.
- Well-designed credit policy has also its own objectives to meet necessary directions in credit dispensation.

The policy is subject to review periodically depending up on the changes that may take place in the financial market in particular the banking sector and the need within the bank to build up quality assets. The procedure and system laid down in the loan policy has to be followed consistently at all hierarchical levels in the institution to ensure that canons of sound lending are uniformly adopted with a view to consistently improve and maintain the quality of the credit portfolio of the bank, it is there for imperative that all the institution staff is fully conversed with the loan policy and its implications.

Some financial analysis advice that lender should establish an appropriate credit environment on the basis of the 3 principles below.

- The board of directors should have responsibility for approving and periodically reviewing the CR strategy and significant CR policies of the institution. The strategy should reflect the lenders to learned for risk and the level of profitability the institution expects to achieve for incurring various CR.
- Senior management should have responsibility for implementing the CR strategy approved by the board of directors and for developing policies and procedures for identifying measuring monitoring and controlling CR such policies and procedures should address credit risk in all of the lenders activities.
- Lender should identify and manage CR inherent in all products and activities new to them are subjects to adequate procedures and controls before being introduced or under taken and approved by other board of direction.

2.6 Repayment Ethics

In a country where a large proportion of people are very conservative and orthodox in their thinking, taking loan from money lenders. Banks is considered to be grave risk. If person dies without repaying his debts, his sons and heirs feel their duty do so or the father's soul will not rest in peace. Also, the father of non repayment of debts due to exorbitant interest rates, could lead to alienation of property rights (Danielk, 2010)

2.6.1. Overdue management

Overdue arise due to nonpayment of loan installments on due dates willful default is mainly due to the inadequate and ineffective organization efforts of banks to receive dues. Clearly overdue, can result from external or internal factors. (IBID)

2.6.2. External factors

There are factors over which the banks have no operational or demonstrative control, such as: (Daniel K, 2010)

- Natural calamities like floods, drought and earth quakes.
- Political and government interference cropping pattern changes not adopted by farmers.
- Cropping pattern changes not adopted by farmers.
- Costs of inputs and prices of farm produce without price support.

There are factors related to organizational deficiencies and administrative ineffectiveness, such as (Daniek, 2010)

- Reflective Loaning policies procedures
- In effective supervision machinery over loan utilization.
- Lack of efforts for recovery and inadequate system for recovery.

There are other causes leading to loan over does, such as:

- Under financing /over financing.
- In fructuous investments

2.7 Empirical literature review

The micro finance institutions participation in several developing economies is escalating from time to time. Various studies on different countries on the analysis of loan and advance provision of the MFIs confirm this (Adongo and Stork 2005, Zeller and Meyer 2002, Meyer 2002, Robert cull et al. 2007). For example, in Bangladesh a microfinance institution called Grameen Bank at the end of 2000 reported 2.4 million members, where 95 percent of them are women, with \$225 million outstanding loan. In addition, Thailand also has reported impressive loan through agricultural lending by the Bank for Agriculture and Agricultural Cooperative (Meyer 2002).

In general, a lot number of microfinance institutions have registered impressive loan and advance provision in several developing economies including India, Cambodia, and others (Meyer 2002). About 70 to 80 percent of the farm household receives credit in a year either directly or indirectly from Bank for Agriculture and Agricultural Cooperatives (Meyer, 2002) A survey by Robert cull and others on the performance of leading MFIs in 49 countries finds interesting results. It founds over half of surveyed MFIs are profitable after making adjustment of subsidies. It also identified no evidence of tradeoff between being profitable and reaching the poor.

For the Ethiopian case, there are few studies undertaken in relation to loan and advance provision in MFIs. But, the objectives addressed in these previous studies are different, insuring the value added of this study. Lakew (1998) examines POCSSBO's6 micro financing program contribution to poverty reduction. He found that after the loan program employment opportunity for the beneficiaries have been created. He also noted that the credit program of POCSSBO had positive effect on income and saving of the clients. In addition, He stated that medical, education and nutrition access of the clients had been improved. Similarly, Aklilu (2002) reviews the importance of micro finance institutions in developing economies based on countries' experiences. In the review she suggested for promotion of the existing well developed institution 'iddir" to facilitate growth of formal MFIs.

In Ethiopia, poor people have used informal sector in their attempt to obtain loanable capital but poor have becomes victim of money lenders who demand them high interest rate at the end of the due date. Despite its highest interest rate, this access is open to a very in significant segment

of the needy. In so doing, the delivery of microfinance services has been considering one of the policy instrument of the government and NGOs to enable the rural and urban poor to increase their productivity, induce them to adopt new technologies, increase their income, reduce poverty and attain food security (Desta, 2005, quoted in Wolday, 2001).

Borchgrevink and et. al (2005), studies marginalized groups, credit and empowerment for the case of Homo micro finance institutions. The study finds that female household heads are extremely marginalized groups; and also, young households', rural landless households and urban house-renting households are the other marginalized groups. Trough two-phase assessment, the study found that the Metemamen and Homo micro finance program has had a positive impact on the livelihood of and as well enhanced the social and political position of many clients. Concerning the constraints for economic development, the study noted poor rainfall, small farm size, and shortage of labor during peak agricultural seasons as the main constraints. Similarly, the main constraints in non-farm business POCSSBO stands for Project Office for Creation of Small Scale Business Opportunities and the office was established in 1995. ventures are low return and lack of demand. However, loan is not the main constraining factor for expanding economic activity, except that in urban areas. The study further noted, Metemamme and omo micro finance institutions heavy involvement in loan delivery in the region has more or less satisfied to most of the people with some exceptions in the urban areas. The number of client is a mere indicator for how MFI is reaching the poor. Various techniques, some expensive and some simpler, are noted in literatures to measure client poverty level. Though it is not precise, loan size is one of the simpler indicators that small loans represent poor clientele (Robert Cull et al., 2007).

2.7.1 Conclusion and Knowledge gap

There are different arguments concerning how to evaluate loan and advance provision of microfinance institutions. Meyer (2002), Citing from Zeller and Mayer (2002), indicated that there is what is called "Critical Micro-Finance Triangle" that we need to look at to evaluate loan and advance provision of Micro-finance institutions based on their objective. the corners of the triangle represent loan to the poor, financial sustainability and welfare impact. And"

Performance criteria are required for each objective and all three must be measured thoroughly to evaluate micro-finance loan and provision," noted Meyer (2002th). This environment broadly includes the human and social capital possessed by the poor, the economic policies of the country, and the quality of the financial infrastructure that supports financial transactions. Improvements in the environment and provide loan make it easier for MFIs to reach the three objectives. (Meyer, 2002).

Navajas et al. (2000), similarly, indicated that there are six aspects of measuring loan: *depth, worth of users, cost to users, breadth, length and scope*. Where, depth of loan refers to "the value the society attaches to the net gain from the use of the micro credit by a given borrower," (Navajas et al. 2000:335). This measure is to identify the poor clients. Because, the poor are the one who fail to get access to get credit from formal financial institutions since they fail to signal that they can repay their loan (Conning, 1997). And, worth of loan to users refers to "how much a borrower is willing to pay for a loan,"(Navajas et al. 2000:335). Similarly, cost of loan to user refers to "cost of a loan to a borrower," (Navajas et al. 2000:335). These costs to users might consists of prices like interest rates and various payments that they have to pay, which could be revenue to the lender, and other loan related transaction costs like expenses on documents, transport, food, taxes, etc. (Navajas et al. 2000:336). Finally, "breadth of loan is the number of users...length of loan is the time frame in which a microfinance organization produces loans," and "Scope of loan is the number of type of financial contracts offered by a microfinance organization," (Navajas et al. 2000:336).

It is argued that length of a loan matter, because if the microfinance institutions support the poor only in the short run it will hamper the social welfare of the society in the long run. In the case that when the client of the microfinance institution knows that he/she will not receive additional loan in the future they would have no incentive to borrowers to repay their loan (Navajas et al., 2000.). The study will be measure the analysis of loan and advance provision on metemamen and omo micro finance institutions in Wolkite town.

According to research conducted by Bayeh (2012) on financial sustainability and loan of microfinance in Ethiopia. The researcher found that the mean of FSS is 118.4 % indicating

financially sustainable. Out of the total 144 observations 90(62.5) indicated sustainable MFIs and the rest 54 observations (37.5%) of the MFIs were not financially sustainable.

The study also examined that that microfinance breadth of loan, depth of loan,, dependency ratio and cost per borrower affect the financial sustainability of microfinance institutions in Ethiopia. However, the microfinance capital structure and staff productivity have insignificant impact on financial sustainability of MFIs in Ethiopia for the study periods (2002-2010).

Tiruneh(2009) in his study of the relation between loan and financial sustainability in Ethiopia found that in terms of average OSS the MFIs shows an encouraging result of reaching the bench mark100%. Although the average OSS of MFIs in the study showed above the benchmark, the increment in each year is not consistent and upward trend. The finding in FSS showed that the average FSS of the fifteen sampled study institutions were below the bench mark throughout the studied year indicating MFIs in Ethiopia are not financially self-sufficient.

According to Degefe (2009) on his part of study on the performance analysis of the selected microfinance taking a five years' data (1999-2003) found out that of the nine studied microfinance institutions five had attended operational sustainability or operational self – sufficiency and loan distribution. However, with the more comprehensive indicator, financial self-sufficiency that was computed with the consideration of opportunity cost of capital, only two out of nine MFIs(ACSI and DECSI) were above 100% with OCSSCO exactly reached 100 in 2003. The rest of the MFIs were not able to reach the bench mark and financially sustainable. Furthermore, the study also assessed the degree of leverage through the subsidy dependency index indicator and found out that only one MFI, ACSI, reached the stage of being able to operate with equity capital and therefore freed from subsidy.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

3.2. The research Design

The study was focused on the assessment of comparative analysis of loan and advance provision in omo micro finance institutions in Wolkite town. The study used descriptive research design. Because, the study will be to assess comparative analysis of loan and advance provision in omo and metemamen micro finance institutions.

3.2. Source of data

The study was based on both primary and secondary data. The sources of primary data are the employees and clients of metemamen and omo MFI Wolkite town. Secondary data will be collected from books, manuals and reports.

3.3. Target population and Sample techniques

The population of a metemamen microfinance are 6 employees and a omo microfinance are 22 employees. The total population of the study is 28. The study was comparative analysis of loan and advance provision in metemamens and omo micro finance in Wolkite town. The study used

selected all of total population. The study was non probability sampling. From non-probability sampling judgmental Sampling technique of form the sample selection of clients was made for the convenience of Conducted the research. The branch has a manager, 2 tailors, 4 credit officers, 2 saving officers, and 2 accountants out of These manger, credit and saving officers are assumed to have direct contact with the credit and saving procedure were selected for interview and filled the questionnaires.

3.4. Method of data collection

Both primary and secondary data were collected to conduct this research. Primary data was use Collected through questionnaire. In the questioners, the study was used both close- end and open- end questions in such a way that they should generate important information on loan provision and omo micro finance institution.

3.5. Method of data processing

The process was researcher the objective of the study after the necessary primary and secondary data have been collected and is going to started by editing and classifying the collected data to more meaning full and relevant data editing means the process of examining the collected data was Identify error and omission and to correct them regarding data classification the collected data will be arranged and grouped in to similar categorist.

3.6. Method of data analysis

The collected data was use analyzed by using descriptive analysis method according, percentage and frequency count is going to analyzed and interpret the data collect form respondents descriptive were table and, with percentage.

Chapter Four

4. Data presentation, analysis and interpretation

The sample survey covered respondents which were selected conveniently from the customer of the institution and were use judgmental sampling for employee of the organization. Out of 100 samples size, what I could get was only 58. Thus, the study tried to analyze and interpreted the data based on the 58 customers and the fives (5) employees.

Description on respondents back ground the age, sex, education level, type of occupation and marital status are some of the characteristics of sample respondents.

Table 4.1. Demographic characteristics of respondents (customers)

No	Item	Frequency of responses	
		No	%
1.	Age		
	< 20	4	7
	21-30	12	21
	31-40	36	62
	Over 40	6	10
	Total	58	100
2.	Sex		
	Female	42	72
	Male	16	28
	Total	58	100
3.	Marital status		
	Married	38	66
	Unmarried	20	34

	Total	58	100
4.	Level of education		
	Illiterate	30	52
	Primary education (1-8)	17	29
	Secondary education (9-10)	4	7
	Preparatory (11-12)	1	2
	12 complete	4	7
	Technical & vocational	2	3
	Higher education	0	0
	Total	58	100
5.	Occupation		
	Tailor	3	5
	Construction work	0	0
	retailer	31	54
	Other	24	41
	Total	58	100

Sources: survey questionnaire 2020

Table 1 item 1 shows 36(62.06%) customers are between the age of 31 and 40, 12(20.68%) of customers are in the age of 21-30, 6(10.34%) customers are above the age of 40 and there are only 4(6.89) customers item 2 depict that whose age are less than 20. 42(72.4) of the customers are female. Item 3 shows us that 38(65.52) of the customers are married while the other are unmarried. Item 4 tells us that most of the customers. i.e. 30(51.72%) are illiterate, 17(29.31) are primary education level, 4(6.89%) of them reached secondary education, 1(1.72%) customer reached for preparatory education 12(6.9%) customers have completed grade 12, 2(3.44%) of them are technique and vocational students.

Generally the above table indicates us that omo micro finance institution are not able to lend money for those who want to engage in business activities that require huge amount of money such as for construction because that MFIS can have a relatively higher capital such as construction the finding in this study suggested they are not offering sud a loan, the reason for

this is mainly the single borrower loan limit as national bank of Ethiopia directives is only birr 5000.

Analysis of data and interpretation

Loan disbursement and collection:- most of the customers in the omo microfinance institution are above 30 years old and illiterate who don't have enough knowledge regarding the value of timely disbursement of loan and time value of money. So, in the following sections it is possible to know the problems regarding the efforts of timely collection of loan and related aspects.

Table 4. 2 Sufficiency, training and collection of credits

No	Item	Frequency of response	
		No	%
1.	Do you think the loan given to you is enough to handle a business you are running? Yes No	44 14	76 24
	Total	58	100
2.	Do you get any training how to use the loan? • Yes B. No	42 16	72 28
	Total	58	100
3.	Does the institution collect its credit given to customers with in the specified period? • Yes • No	22 36	38 62

Sources: survey questionnaire 2020

Table 2 item 1 shows that 44(76%) respondents stated that the loan is enough to handle a business, and 14(24%) disagree this. Table 2 item 2 depicts that 42(72%) respondents agreed the presence of training but the minority i.e. 16(28%) said that there is no training. Table 2 item 3 shows that 22(38%) of the respondents witnessed that the institution collects its credits on the specified time, were as 36(62%) said the reverse. From item 1 we can infer that the majority of the customer engaged in small business activities from item 2 we can infer that the institution doesn't worry about how the customers use the loan. From item 3 we can understand that the institution give priority for leading than collecting.

Table 3. The repayment period mostly used by customers

N_o	Item	Frequency of response	
		N_o	%
1.	Which period is being used by you? <ul style="list-style-type: none"> • The repayment period • After the due date • Both 	8	14
		37	64
		13	22
	Total	58	100

Sources: survey questionnaire 2020.

From table 3 item 1 we can observe that only 8(14%) of the respondents repay their share of loans within the repayment period and the majority 37(64%) repay after the due date and 13(22%) of the respondents use alternatively the result indicates that the repayment period could be short.

Table 4.4 Presence of follow up & supervision

N_o	Item	Frequency of response	
		N_o	%
1.	Is there any follow up and		

	supervision?		
	• Yes	49	84
	• No	9	16
	Total	58	100

Sources: survey questionnaire 2020.

In table 4 it is indicated that 49(84%) of the respondents said that there be presence of follow up and supervision where as 9(16%) of respondents said that there is no follow up and supervision. From this we can infer that the institution not relying on the group pressure does focus on the follow up and supervision activities.

Table 4. 5 Amount and time to get loan

No	Item	Frequency of response	
		No	%
1.	Amount borrowed from the institution. <ul style="list-style-type: none"> • ≤ 3000 birr • $3001 = 6000$ • $6001-90,000$ • $> 90,000$ 	30 16 12 0	52 28 20 0
	Total	58	100
2.	How long did it take you, to get loan? <ul style="list-style-type: none"> • ≤ 5 days • 5 - 10 days • 11-15 days • Above 15 days 	16 30 12 0	28 52 20 0
	Total	58	100
3.	For how many months did you borrow? <ul style="list-style-type: none"> • ≤ 12 months 	58	100

	<ul style="list-style-type: none"> • 13-24 months • 25-26 months • $O \geq 36$ months 	0	0
	Total	58	100

Sources: survey questionnaire 2020.

As depicted in table 5 all employee said that there is a possibility for group member to be responsible and going to court.

Table 5 item 1 shows 30(51.72%) borrowed less than birr 3000. Then next large number of borrowers took amount between 3000 birr & 6000 birr and this constitutes 27.59% and the others constitute 20.89% of total borrowers. There was no customer who borrowers 90,000 birr. Table 5 item 2 indicated that 16(27.59%) customers took less than 5 days to get loan most of the customers 30(51.72%) between 11 and 15 days no one took above 15 days. Table 5 item 3 depicts us that there is no any customer who borrowed for more than 12 months repayment. This implies that the institution doesn't give loans for more than one year.

Table 4. 6 Purpose and agreement of loan and group lending.

No	Item	Frequency of response	
		No	%
1.	Purpose the loan? <ul style="list-style-type: none"> • business • consumption 	55 3	95 5
	Total	58	100
2.	What was the agreement regarding the repayment <ul style="list-style-type: none"> • monthly • quarterly • Yearly 	58 - -	100 - -
	Total	58	100
3.	Do you think that there is problem in group lending? <ul style="list-style-type: none"> • Yes 	36	62

	• No	22	38
	Total	58	100

Sources: survey questionnaire 2020

Table 6 item 1 shows 55(94.8%) of sample respondents used the loan for business and 3(5.2%) used for consumption purpose. This implies that the microfinance institution is convenient for traders. Table 6 item 2 shows 58(100%) of respondents agreed to pay back monthly. From this it can be implied that could enable them more or less to pay a proportion of their loans monthly. Item 3 shows 36(62%) of customer are happy about the group lending method, on the other hand 22(38%) of the respondent feel the reverse.

Here since the majority of the customers are unhappy, it can be implied that group lending method creates conflicts among customers as human behavior is different and different people for the repayments of the loan as a result for the settlement of repetitive wastage of time happens in addition the group members was face to cover the share of the defaulted individual.

Therefore, because of the above points and other reasons group members are not happy about it. Demographic characteristics of respondents (employee). The employee of the institution are 12 and since of them have given their responses, the analysis and interpretation are based on the five respondents.

Table 4.7 Characteristics of respondents (employees).

No	Item	Frequency of response	
		No	%
1.	Sex		
	Female	1	20
	Male	4	80
	Total	5	100
2.	Marital status		
	Married	2	40
	Un married	3	60

	Total	5	100
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Sources: survey questionnaire 2020.

Table 7 item 1 shows that 1 (20%) of respondents is female and 4(80%) of respondents are male.

Table 7 item 2 depicts about marital status and 2(40%) the respondents are married where as 3(60%) of them are unmarried.

Table 4. 8 Level of Education.

N_o	Item	Frequency of response	
		N_o	%
1.	Level of education		
	• 12 completed	0	-
	• Diplomas	4	80
	• Degree	1	20
	Total	5	100

Sources: survey questionnaire 2020.

Table 8 item 1 indicates that 4 (80%) of employee are holder of diploma and 1 (20%) 15 hold degree. This indicates that to undertake the risk and they conduct with work at the same time to satisfy the customer.

Table 4. 9. Criterion

N_o	Item	Frequency of response	
		N_o	%
1.	Do all the customers full fill the criterions?		
	• yes	4	80
	• No	1	20

	Total	58	100
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Sources: survey questionnaire 2020

In table 9 item 1 it is depicted that 4(80%) of the employees witnessed that the customers knows all the criterion were as only one said that all the customers don't fulfill all the criterion. This indicates that the most of the customers 80% have fulfilled the criterion but some of them don't, because of different reasons. For example, since the institution uses social collateral or group lending method, the institution expected positive pressures of customers over the other customer.

Table 4. 10 Disbursement and group lending method

No	Item	Frequency of response	
		No	%
1.	Are the loans that are disbursed enough to the customers to run their business? <ul style="list-style-type: none"> • yes • No 	4 1	80 20
	Total	5	100
2.	Do you think that there is problem in group lending method? <ul style="list-style-type: none"> • Yes • No 	3 2	60 40
	Total	5	100

Sources: survey questionnaire 2012.

Table 10 item 1 shows 4(80%) of the employee said that the loan disbursed is enough, because almost all of the customers are engaged in micro business activities, where as 1(20%) employee said that the loan disbursed is not enough. This is because there are some customer who are engaged in business activities that require finance of above the maximum amount of the loan by the institution. Moreover, some customers use some amount of the loan for consumption.

Table 10 item 2 depicts that 3(60%) of employee said that group leading method does have problem because there are some customers who are not loyal. This means when they are delegated to deliver back to the institution by the group, they use it for themselves.

4.5. loan site of the omom micro finance nstitution

The feasibility of the project is given the prime importance by th **omom micro finance e** institution.

Table 4. 11. Loan site of the omom micro finance institution

Item	Description	For existing customer	
		For new customer	
1	Individuals	2000	Up to 10,000
2.	Cooperatives	Number of customers	Depends on the number of the members
3.	Edirs	By agreement	On agreement

Source: secondary data 2020

Table 11 items 1 depicts that the institution gives 2000 birr for one new customer but it also gives 10,000 birr time customers would be well acquainted with the employees and this creates confidence for the employees to give more loans for customers. For cooperatives if depends on the number of the member and Edirs are load on agreement with the institution. This implies that edirs are credible by the institution.

Table 4.12 Policy, procedure and repayment

No	Item	Frequency of response	
		No	%
1.	Are the employee well informed about the policy and procedure of the institution? <ul style="list-style-type: none"> • yes • No 	5	100
		0	-
		5	100
2.	What do you thing about the		

	repayment of the loan?		
	<ul style="list-style-type: none"> • Loan is timely repaid • Loan is not timely repaid 	-	-
		5	100
	Total	5	100

Sources: survey questionnaire 2020

Table 12 items 1 depicts us that all employees are well informed about the policy and procedure of the institution. Therefore, it can be implied the employee of the institution are educated and have good working experience table 12 item 2 indicates that all witnessed the timely repayment of the loan. This implies that, the employees have no question or dread about repayment by their customers.

Table 4. 13. Loan repayment period

No	Item	Frequency of response	
		No	%
1.	What is there payment period?		
	<ul style="list-style-type: none"> • Monthly • Quarterly • Yearly 	-	-
		5	100
		-	-
	Total	5	100
2.	Is the repayment period suitable?		
	<ul style="list-style-type: none"> • Yes • No 	-	-
		5	100
	Total	5	100

Sources: survey questionnaire 2020

Item 1 shows as that the repayment period is monthly. This implies that the policy of the institution requiring repayment is one month. Item 2 depicts us that the repayment period is witnessed by the employees to be suitable. This implies that the repayment period is exactly in line with their desires.

Table 4.14 Supervision on the loan

N_o	Item	Frequency of response	
		N_o	%
1.	Is there any supervision on the debilitation? <ul style="list-style-type: none">• Yes• No	5 0	100 -
	Total	5	100
2.	Is the supervision on both the loan utilization and repayment adequate? <ul style="list-style-type: none">• Yes• No	2 3	40 60
	Total	5	100

Sources: survey questionnaire 2020.

Table 14 item 1 shows that there is supervision on the loan utilization. Item 2 indicates that the adequateness of the supervision is witnessed only by 2(40%) of the employee, where as 3(60%) of the respondents disagree by the adequateness of the supervision.

If implies that even though there supervision it is rarely done. So this indicates that the employee of the institution focus on the lending activity than what aids happening after loan.

Table 4. 15 Not paying debt

N_o	Item	Frequency of response	
		N_o	%
1.	What if a member of a group disappears with out paying back his debt? <ul style="list-style-type: none"> • Group members' 11 b responsible • Going to court • Waiting him/her fill comes • A & B 	- - - 5	- - - 100
	Total	5	100

Sources: survey questionnaire 2020

As depicted in table 15 all employees said that there is a possibility for good member to be responsible and going to court.

Table 4. 16 Final measures

N_o	Item	Frequency of response	
		N_o	%
1.	What is the final measure for the defaulter? <ul style="list-style-type: none"> • Going to court • Snatching his property • Fathers 	- 5 -	- 100 -
	Total	58	100

Sources: survey questionnaire 2020

As show in table 16 the final measure over the defaulter is accusing the defaulter. This implies that the micro finance institution (OCSSC) doesn't use any collateral for lending.

Chapter Five

Summary, Conclusions and Recommendation

5.1. Summary

The purpose of this paper is to identify the of comparatives analysis loan and advance provision in omo micro finance in stitution in wolkite town.

The findings of this study indicates that

- Since the loan amount is small, wolkite town credit and saving micro finance instituting lending amount doesn't invite business persons who want to engage themselves in butter business activities than retailing, tailoring and soon.
- The institution has problem of giving training how to use the loan.
- The institution doesn't mostly collect its credits on the specified time period; rather it mostly collects after the due date.
- The institution doesn't lend for more than one year.
- All the employee are well informed about the policy and procedure of the organization.
- According to employee loans is not timely repaid.
- According to employee most of the customers fulfill the criterion required to taken loan.
- The majority of customer is between the age of 31-40, female, married, illiterate and are engaged in retailing activities.
- Most of the customers borrow less than 3000 birr.
- Almost all of the customers use the loan for business.
- The specified time period for repayment is one month.
- Most of the customers said that there is problem in group borrowing.
- The loan amount for one new customer is only 2000 birr.
- The maximum loan amount of existing customer is only 10,000 birr.

- The group lending method is effective from the point of view of the institution.
- According to employees the repayment period is not suitable.
- If a borrower disappears without paying back his debt members of group would be responsible.

5.2. Conclusions

As it has been pointed out in the findings, the institution has different problems. These problems undoubtedly will have negative impact on its performance.

- The institution has problem of giving training for its customers how to use the loan, but since the majority of its customers are illiterate, they need repeated training so, the institution is advised to do this.
- It has problem of follow and supervision in little beet since the reason for this problem me is due to shortage of employee it is advised to employee additional employees.
- The institution doesn't mostly collect on the specified time period, rather it mostly collects mechanisms that encourages that encourages it customer to pay on the specified time period. Example by giving prizes at the end of the loan payments.
- It takes 5 – 10 days to allow loan. This is long when compared with other institution. Therefore, it should try to shorten this.
- The specified time period for repayment is one month and many customers are not happy by this, therefore, the institution is advised to consider this because the customers' complain may have negative impact especially for potential customers.
- Since the loan amount is mall, the lending amount of the institution doesn't invite business persons who want to engage themselves in better business activities than retailing, tailoring and soon.
- ✓ Generally microfinance activities have significant importance in the economy of developing countries. The sector contributes a lot by minimizing un employment by providing jobs opportunities for those who are actively seeking jobs. Therefore, even though the operation is danger unless otherwise it strengthens its follow up and supervision on the activities of the customers rather than relying on group members or court procedures.
- ✓ Omo micro finance is borrower

- ✓ Omo micro finaces transactions intermediaries
- ✓ Omomicro finance are lender

5.3. Recommendations

Since wolkite credit and saving micro finance institution is one of the omo micro finance institutions in wolkite town it must create its own core competency and must improve its credit management system to attract more customers than competitors.

According to the findings the following possible recommendations are presented.

- Even if the credit is not collected with the specified period, the institution must be ready to make change like;
 - Increasing the grace period of those activities which require longer period and sale the product eg. Metal works wood works.
 - Appreciating customer, which pay on time, by giving them a discount and having strict follow up for those customers, which do not pay on time at the same time the institution should train and create awareness on its customers about the time value of money.
 - Since the group lending method has problems ask for social guarantee for those who are suspected based on experience. For example for those young customer and illiterate customers.

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Appendix I

wolikte University
College of Business and Economics
Department of Accounting

Dear Respondents: First of all I'd like to extend my sincere gratitude for helping me by filling this questionnaire. The purpose of this questionnaire is to collect data to be used in first degree research project attitude paper is to identify the of comparatives analysis loan and advance provision in omo micro finance in stitution in wolkite town. All information you provide here after was used at most confidentiality as part of over all response, there fore please fell free to provide your value able response that will make this research project successful,

Note: - No need to write your name

- Please put "X" in space provided

Questionnaire for employee

Part – one General questions

1. Sex male Female
2. Marital status Married Un married
3. Level of education
 - a) 12 completed B) Diploma
 - C) Degree D) Above

Part two data on omo micro finance activity

1 Do all the customers fulfill the criterion?

- A) Yes B) No

2) Are the loans that are disbursed enough to the customers to run their business?

-
-
- 3) Is there any problem in group lending method?
A) Yes B) No
- 4) If yes, Q/3 specify them
a) _____
b) _____
c) _____
d) _____
- 5) Are all employees well informed about the policy and procedure of the OMO micro institution?
A) Yes b) No
- 6) What do you think about the Re-payment of the loan issued?
a) Loan issued was timely re-paid
b) Loan issued was not timely re-paid
- 7) If not timely re-paid what are the reasons of delay
a) _____
b) _____
c) _____
- 8) Is the repayment period suitable?
A) Yes b) No
- 9) If no, (Q18) specify and recommend on the repayment period?
a) _____
b) _____
c) _____
- 10) Is there any follow-up and supervision
A) Yes b) No
- 11) If yes (Q/10) Specify?
a) _____
b) _____
c) _____
- 12) If No (Q/10) why?

- a) _____
- b) _____
- c) _____

Appendix II

Questioner for customer

Part –two General question

1. Age
2. Sex male Female
3. Marital status Married Unmarried
4. Level of education
 - Literate
 - Primary education (1-8)
 - Secondary educations (9-10)
 - 12 compete
 - Technique and vocational
 - Degree and above
- 5) Occupation
 - A) Tailor B) Construction work C) Retailer D) other specify _____
- 6) Do you think that the loan give to you is enough to handle of business you are running?
 - A) Yes b) No
- 7) If no, (Q/6) How you are running the business?
 - a) _____
 - b) _____
 - c) _____
- 8) Do you get any training to use the loan?

) Yes b) No

9) If yes, (Q/18) when?

a) Before you get the loan

b) After you get the loan

10) If yes, (Q/18) by what interval?

a) Once in a month

b) Twice in a month

c) Once in a year

d) Once in 6 month

11) Does the omo micro finance institution collect its credit given to customers within the specified period?

A) Yes No

12) If no (Q/11) why?

a) _____

b) _____

c) _____

13) Is there any follow- up and supervision by omo micro finance institution?

A) Yes No

14) For what purpose did you take the loan?

a) Business B) Consumption

15) What are the agreement regarding the repayment

a) Monthly b) quarterly) Yearly

16) What is the problem in group Borrowing?

a) Yes b) No

17) If yes (Q/16), specify?

a) _____

b) _____

c) _____

18) How long did it take you to get loan?

a) <5 days b) 5 -10 days

c) 11 -15 days d) above 15 days

Appendix III

INTERVIEW FOR MANAGEMENT BODY

Part three general question

- Age
- Sex Male Female
- Marital Status Married Un married
- Level of education
 - Diploma
 - Degree
 - Above

Data related to omo micro finance institution

- What are the services that customer get from the omo micro finance institution?
- Is there any training the omo micro institution gives to the customer? Also by what interval and when?
- Is there any follow- up and supervision the customer by omo micro nstitution?
- What are the problems in group lending?
- Are all employee and customer are well informed the policy and procedure of the omo micro institution?

