

**THE ASSESMENT OF FACTOR AFECTING CREDIT MANAGEMENT OF METEMAMENT
MICRO FINANCE INSTITUTION (THE CASE STUDY OF WOLKITE BRANCH)**



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**A SENIOR RESEARCH PAPER SUBMITTED TO DEPARTMENT
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Abstract

This study was conducted on the title of assessment of factor affecting credit management of metemamen micro finance institutions in Wolkite branch. For the achievement of the objective of the study qualitative research approach particularly survey design was used. In this study primary source of data was used and the researcher would be using questionnaires to collect data from the employee, and management body of the institutions. The census method was used to collect data from employee and management body of metemamen credit and micro finance institution. And also the researcher would be used descriptive method of data analyzing. The general objective of the study is to assess factors that affect the credit management in micro finance institution of metemamen in Wolkite branch. The specific objectives of the study are the activities practiced credit management of the institution, the methods of the institution uses to follow up loan, the effectiveness of polices and procedure the institution follows in providing loans, the monitoring mechanism used by the institutions to collect credit. Metemamen micro finance has a variety of policy, procedure of loan repayment in order to overcome their risk. As respondents response however there are some problems related with collections of credit given to borrowers and any other related with it. To increase high quality of credit management, metemamen should give training for their worker on the areas of granting loan and collecting it. In addition thus metemamen micro finance institutions and government should take a corrective measurement in order to reduce credit risk management in metemamen micro finance institutions.

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List of Acronyms

CM=Credit management

MFIs- microfinance institutions

CR - Credit risk

SNNP- South nation nationality

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Credit management is one of the most important activities in any company and cannot be overlooked by any economic enterprise engaged in credit irrespective of its business nature. It is the process to ensure that customers will pay for the products delivered or the services rendered. Nelson (2002) views credit management as simply the means by which an entity manages its credit sales. It is a prerequisite for any entity dealing with credit transactions since it is impossible to have a zero credit or default risk. The higher the amount of account receivables and their age, the higher the finance costs incurred to maintain them. If these receivables are not collectible on time and urgent cash needs arise, a firm may result to borrowing and the opportunity cost is the interest expense paid.

Nzotta (2004) suggests that credit management greatly influences the success or failure of credit management and other micro financial institutions. This is because the failure of credit management is influenced to a large extent by the quality of credit decisions and thus the quality of the risks assets. A key requirement for effective credit management is the ability to intelligently and efficiently manage customer credit lines. In order to minimize exposure to bad debt, over-reserving and bankruptcies companies must have greater insight into customer financial strength, credit score history and changing payment patterns. Credit is one of the many factors that can be used by a firm to influence demand for its products

Myers and Brealey (2003) describe credit management as methods and strategies adopted by a firm to ensure that they maintain an optimal level of credit and its effective management. It is an aspect of financial management involving credit analysis, credit rating, credit classification and credit reporting.

A proper credit management will lower the capital that is locked with the debtors, and also reduces the possibility of getting into bad debts. According to Edwards (2013), unless a seller has built into his selling price additional costs for late payment, or is successful in recovering those costs by way of interest charged, then any overdue account will affect his profit. In some competitive markets, companies can be tempted by the prospects of increased business if additional credit is given, but unless it can be certain that additional profits from increased sales will outweigh the increased costs of credit, or said costs can be recovered through higher prices, then the practice is fraught with danger. Most companies can readily see losses incurred by bad debts, customers going into liquidation, receivership or bankruptcy. The writing-off of bad debt losses visibly reduces the Profit and Loss Account. The interest cost of late payment is less visible and can go unnoticed as a cost effect. It is infrequently measured separately because it is mixed in with the total bank charges for all activities. The total bank interest is also reduced by the borrowing cost saved by paying bills late. Credit managers can measure this interest cost separately for debtors, and the results can be seen by many as startling because the cost of waiting for payment beyond terms is usually ten times the cost of bad debt losses. Effective management of accounts receivables involves designing and documenting a credit Policy. According to Pike and Neale (2005), a sound credit policy is the blueprint for how the company communicates with and treats its most valuable asset, the customers. According to Scheufler (2002) proposes that a credit policy creates a common set of goals for the organization and recognizes the credit and collection department as an important contributor to the organizations strategies. If the credit policy is correctly formulated, carried out and well understood at all levels of the financial institution, it allows management to maintain proper standards of the bank loans to avoid unnecessary risks and correctly assess the opportunities for business development. To undertake proper mobilization of funds, financial institution practices credit management activities. Credit management 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 there

are around 30 licensed micro finance institution in Ethiopia working both rural and urban areas so this study would be conducted on wolkite credit and saving micro finance institution. Therefore, this study tries to examine the issue of factor affecting credit management in microfinance institutions in the case of wolkite metemamen credit and saving Institution.

1.2. Statement of the problem

Credit management is the most important activities in micro finance institutions. An attending credit management policies and procedures make it sound at the time of managing credit management and credit decisions. Mullet (2003) argues that if you not follow the credit management policies and procedures one cannot think of managing credit risk and at the same time credit decision will become arbitrary subject to individual discrimination and judgment.

A great deal of researchers has confirmed an existing relationship between macroeconomic and microeconomic factors on credits management.. 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. Most of microfinance institutions approve loans for productive purpose, because income increment is positively indicator to which all development activities are addressed (Daniel, 2010). These studies have been conducted under unique regulatory and economic environments where the level of market efficiency is advance compared to those of emerging and developing countries like Ethiopia. Local studies that have been done credit management have concentrated largely on effects of credit management on performance of microfinance. Musyok (2011) and Ogilo (2012) separately conducted an empirical study on the impact of credit management on micro financial performance

Sound credit management is a prerequisite for a financial institution's stability and continuing profitability, while deteriorating credit quality is the most frequent cause of poor financial performance and condition. According to Gateman (1997), the probability of bad debts increases as credit standards are relaxed. Firms must therefore ensure that the management of receivables is efficient and effective. Such delays on collecting cash from debtors as they fall due has serious financial problems, increased bad debts and affects customer relations. If payment is made late, then profitability is eroded and if payment is not made at all, then a total loss is incurred. On that basis, it is simply good business to put credit Management at the „front end“ by managing it strategically. The study will intend to answer the question. Although studies on factors affecting of credit management in microfinance have been done in developed markets,

The group base lending method is not effective in achieving the microfinance objective, because due to default payment is made by the group members. In addition the beneficiaries who use this method also face a problem in the repayment of loan, the rest who pay regularly were enforced to pay the default amount (Meaza, 2010). The researcher observes most customers did not show progress and some of them become rent suckers. This makes me to propose for study. Even though some of them show progress and change to high level. So what would be the source for this? Is that due to ineffectiveness of credit management of micro finance institution or not? Therefore, the researcher motivated to study related to credit management practice in metemamen credit and saving micro finance institution.

1.4. Objective of the study

1.4.1. General objective

The main objective of the study is to examine the credit management of credit management in microfinance institutions on metemamen credit and saving Share Company in wolkite branch.

1.4.2. Specific objectives

1. To assess the activities practiced credit management of the institution.
2. To assess the methods of the institution uses to follow up loan.
3. To assess the effectiveness of polices and procedure the institution follows in providing loans
4. To identify the monitoring mechanism used by the institutions to collect credit.

1.5. Research question

1. What are the activities practiced in credit management of institution metemamen micro finance institution, in Wolkite branch?
2. What method the institutions use to follow up the loan?
3. What policies and procedures the institution follows?
4. What are the monitoring mechanisms to collect credit in the institution?

1.6 Limitation of the study

This study focused on analyzing the credit management on micro finance institution in case of wolkite branch. This is due to many constraints which are actually beyond the capacity of the researcher like absence of sufficient times, transpiration financial problem and the skill of

researcher to generalize the huge information that gathered at regional and country level in this case limited to town level. From respondent's side some of questionnaires that are distributed to them are not filled and returned.

1.7 Organization of the paper

This paper is classified in to five chapters. The first chapter includes introduction, background of the study, statement of the problem, research question, objectives of the study, significance of the study. Chapter two includes the literature review of investment and financial institutions. Chapter three describe about methodology of the study and data source, research design, methods of data collections, sampling techniques, source of data and method of data analysis and presentation. The fourth chapter mainly the analysis part of the study diagnosis the data collected and relates them to different aspects. Methods so as to provide sound conclusion and recommendation are applied. Finally the fifth chapter was sum up all the points that are raised in the paper, draw conclusion and raise sound recommendation.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covered the literature review on credit management. It encompasses the theoretical framework on credit management; evaluate what other researchers have written on credit management and its factor affecting both macroeconomic and microeconomic. It concluded on empirical review on credit management and its factor affecting highlighting the knowledge gap.

2.2 Theoretical Review

Previous literature has shown that there exists information asymmetry in assessing financial institution Lending applications (Binks and Ennew, 1997). Information asymmetry describes the condition in which relevant information is not known to all parties involved in an Undertaking (Ekumah and Essel, 2003). Studies on transaction costs have shown that transaction costs occur when a good or a service is transferred across a technologically separable interface". Therefore transaction costs arise every time a product or service is being transferred from one stage to another, where new sets of technological capabilities are needed to make the product or service. Therefore, it may very well be more economical to maintain the activity in-house, so that the company will not use resources on example contacts with Suppliers, meetings and supervision. Managers must therefore weigh the internal transaction costs against the external transaction costs, before the company decides whether or not to keep some activity in-house. Williamson (1981). This chapter will review the asymmetric information theory and Transaction cost theory in credit management.

2.2. 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 insinuation 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. org)

2.2.1. 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 bank the commercial bank of Ethiopians, having their branches in urban and semi urban, provide virtually no access to the rural population AID, private banks,. Through growing in number don't engage themselves in these areas. 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 extremely high, varying from 50% to 120% that the effective interest can be as high 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 federal 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 dustries 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). Informal markets are considered by the regional government as a good entry point in achieving food security objectives as they will allow rural households in both food secure and in insecure 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 promote the 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.

2.2.2. 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 institution have been established in accordance with the proclamation issued by the national bank of Ethiopia in 1996. There is about 30 micro-finance institution. All of them are share companies administered by their respective board of directors. The central objective of these financial institutions 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)

2.2.3. 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 if 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 cordite officer can easily follow-up why a particular member failed to meet his/her obligation. Faure 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 recanted 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 liens if they repay on time. Finally, borrowers can beleaguered to make compulsory saving in which a small amount is contributed regularity 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 cinder their own contexts (Daniel, 2010)

2.2.1 Credit management an overview

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).

2.3.2. Post sanction control

To a large extent, it depends up on the findings of the pre- sanction appraisal. The post –control involve proper documentation of the facility, and the after care or follow up and supervision through monitoring of transaction in the lean amount, security of procedural statements submitted by the borrower, physical inspection of the securities and books of account of the borrower, periodical reviews and renewals etc. successful lending thus depends up on careful selection of the customer, proper appraisal of his credit needs and adequate control to insure that his dealing with the lender are above board and that he/she is complying with the terms and conditions on which credit has been sanctioned to him. In this post sanction approach the credit manager has the following functions

- Assessing of credit standing both new and existing customers.
- Establishment of terms having regard to the risk involved and the potential profit.
- Maintaining of the sales ledger
- Monitoring and controlling customer balance
- Collection of payment as close to terms as possible with out jeopardizing future business.

2.4. 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 size 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 management to maintain proper credit standards, avoid excessive risks and evaluate business opportunities properly.
- They also have great contribution to good credit 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 with in 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.

- 1) 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 learn for risk and the level of profitability the institution expects to achieve for incurring various CR.
- 2) 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.
- 3) 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.

2.5. Repayment Ethics

In a country where a large proportion of people are very conservative and orthodox in their thinking, taking loan form 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 interstates, could lead to alienation of property rights (Danielk, 2010)

2.5.1. Over does management

Overdoes 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 over does, can result from external or internal factors.

2.5.2. External factors

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

- Natural calamities like foods, drought and earth quakes.

- Political and government in 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.

2.5.3. Internal factors

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 lending to loan over does, such as:

- Under financing /over financing.
- In fructuous investments.

2.5 Empirical Review

. Kithinji, (2010) analyses this phenomenon in a study to analyze the relationship between credit risk management and profitability of microfinance. The study sough to find out how micro finance will be use affected by the non-performing loans and growth of credit portfolio in a study conducted between 2004-2008. The study revealed a decline it credits level and improvement in the quality of loans. This improvement was attributed with the compliance by microfinance institution. However, the regression analysis did not reveal any relationship between profits, credit level and non-performing loans suggesting that other variable apart from credit level and non-performing loans affects profits. The study concludes that although microfinance performance is also affected by other environmental factors, credit management is pivotal for the Ethiopia microfinance to stand the test of time.

Wangechi (2012) in her study on Factors influencing sustainability of microfinance institutions studied on Women Finance Trust and found out that that the quality of service delivered influenced KWFT Sustainability by attracting new customers through word of mouth advertising, improving on the reputation of the organization, improving Financial performance and profitability, lowering operating costs and also increased customer retention rates

hence boosting the overall quality of the organization. The study concluded that the level of education of the staff contributed to increased efficiency.

.Nagarajan (2001) in his study of credit management for microfinance institutions is found that risk management is a dynamic process that could ideally be Developed during normal times and tested at the wake of risk. It requires careful planning and Commitment on part of all stakeholders. It is encouraging to note that it is possible to minimize risks related losses through diligent management of portfolio and cash-flow, by building robust institutional infrastructure with skilled human resources and inculcating, Client discipline, through effective coordination of stakeholders. Matu (2008) carried out a study on sustainability and profitability of microfinance institutions and noted that efficiency and effectiveness were the main challenges facing on service delivery. Achou and Tenguh (2008) also conducted research on bank performance and credit management found that there is a significant relationship between financial institutions performance (in terms of profitability) and credit management (in terms of loan performance). Better credit management results in better performance. The aim of credit management is to maximize a bank's risk-adjusted rate of return by maintaining credit management exposure within acceptable boundary. The efficient management of credit management is a vital part of the overall risk management system and is crucial to each micro finance bottom and eventually the survival of all micro finance establishments. It is therefore important that credit decisions are made by sound analyses of risks involved to avoid harms to bank's profitability credit management controls adopted by microfinance institutions have an effect on loan performance, credit insurance, signing of covenants with customers, diversification of loans, credit rating of customers, reports on financial conditions, refrain from further borrowing had an effect on loan performance. Collection policies adopted by microfinance institution had an effect on loan performance, stringent policy had a great impact on loan p performance, and the lenient policy had an effect but was not as great as that of stringent policy. There have been numerous studies to the literature on of failure of commercial bank, but Empirical studies focusing exclusively on the factors affecting credit management on microfinance institution have been scanty. In their study, Das and Ghosh (2007) analyzed the factors affecting of credit management in Indian state-owned banks. The study concluded that excessive loan growth and institution expansion capacity need to grow along with impeccable managerial skill relevant to strategize and manage institutions risk appetite to avert unforeseen risk.

2.6. Research gap

The literature suggests that Ethiopia macro finance is young institution in quick expansion. It offers increasingly growing array of services, offered by all the reviewed MFIs. From the financial point of view, the poor people in Ethiopia have low income that leads to low investment. This results to low productivity and more low income. Now a day Ethiopian government encourages micro financial institutions, as a result many MFIs are established. Even though different studies are conducted on this title in different areas, no one research is conducted specifically on metemamen microfinance of Wolkite branch. This study is, therefore, intended to fill the gap by assessing factor affect credit management of metemamen micro finance of Wolkite branch and to contribute to the literature.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

The main focus of the study was evaluating assessment of factors affecting credit management on micro finance institution in case Wolkite town which is found in Gurage zone, SNNP region. This chapter is containing about introductory parts, description of study area, research design, data type, source, method of data collection, population and sample design, methods of data analysis, model specification and variable descriptions will use for evaluating this research in proper ways.

3.2 Description of the Study Area

The study was conducted on Wolkite town which is found in Garage zone, SNNP region. The main focus of the study was evaluating assessment factors affecting credit management on micro finance institution in case on in Wolkite town.

3.3. Research Design

The research design provides a framework or plan of action for the research (Zikmund & Griffin 2009). Based on the nature and objective of the study Descriptive research design was used to carry out this study with the survey design.

Descriptive research design was used in the study. Descriptive research design Describes data and characteristics about the phenomena as they exist. Descriptive studies generally take data and summarize it in a useable form. According to Mugenda and Mugenda (2003). The method would be appropriately enabling the researcher to analyze the Objectives tentatively and also the validity and reliability of the results would be increased.

3.4. Research approaches

As per Creswell (2003) there are three approaches that were used in conducting a given research. The research problem and objective along with the philosophy of the different research approaches, the qualitative nature of the data collected, qualitative research approach would be found to be appropriate for this study. This study was used qualitative research approach to examine a stated objective because qualitative research is a systematic and scientific investigation of qualitative properties and phenomena and their relationships (Abbey, 2009).In order to attain

the objective of the study and answer the research questions, the researcher was adopt qualitative research approach and qualitative research approach..

3.5 Population and sampling frame

Target population in the study included all macro finance institution in Ethiopia. There are around 35 microfinance institutions in our country. But, I am going to conduct my research on Metemamen MFIs in Wolkite branch. In metemamen microfinance institution there are around 6 employees are exist since, their number is small I will not take a sample them rather I will use all of them. So I will use census method. Census method deals with the investigation of entire population and provides more accurate and exact information as no unit is left out. In research methods, population is the total aggregation of items from which samples can be drawn.

3.6. Source and type of data.

There are two types data collection method. These are primary method. For the study primary data collection method would be used employed, because the organization on which the study was conducted is nearest to the researcher. In primary sources of data, the researcher would be used questionnaires and interview for data stated in the primary source of data.

3.7 Data Collection

The study would be primary data sources to gather information from the employee in order to realize research objectives. During the collection of Primary data use questioner, collected using from credit mangers because, to get relevant data and by using questioners from employees. In the questioners, the researcher was used both close- ended and open- ended questions in such a way that they should generate important information on credit management system of metemamen credit and saving institution. Primary source - questionnaires was administered to both clients and staff of the institution.

3.6. Method of data analysis

The collected data would be analyzed by using descriptive analysis method according, percentage and frequency count would be analyzed and interpret the data collect form the respondent.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4. INTRODUCTION

This chapter presents and analyses the data collected through the different data collection techniques. “Questionnaire” is used as a primary data collection method to gather the required information. Section 4.1 presents the qualitative statistics on the finding from the financial institution employees along with demographic profile and their response to the study related questions by using questionnaires.

4.1 qualitative statistics

In order to meet the stated research objectives, the collected data was analyzed based on the nature of the objective. Accordingly, the data collected via focused group discussion, and questionnaires was analyzed qualitatively with descriptive statistics. Furthermore, Wolcott (1994) cited in Creswell (2003), suggested that qualitative research is fundamentally interpretative i.e. the researcher makes an interpretation of the data.

4.1.1 Results from questionnaire

Questionnaire is very essential to gather information and it is also important when there are a large number of respondents. For this studies which requires individual’s response about the asses of factor affecting credit management of micro finance institution, the researcher used this data source as a primary source and has got in-depth information by using this technique.

4.1.1.1 Analysis of general information of respondents.

This section describes respondents’ general information and the business such as, gender, age, marital status, what type of business the operated and educational level, experience of being (there position)and main business activities of respondents. Accordingly, table 4.1 summarizes the responses on the gender issue of employees and micro finance main business of the respondents

Table 4. 1 Gender distribution

Employee's respondent's demographic gender.	Respondents	
	Frequency	Percentage
Male	3	50%
Female	3	50%
Total	6.	100%

Source: own survey (questionnaires 2019)

The researcher targeted to establish out the respondent's gender of which 50% of the respondents were male and 50% were female. A sign that equal males were engaged in businesses and collection of micro as compared to their female. This shows the majority of micro finance and collectors are male and female is equal.

Table 4.2.Age distribution

Age of the respondents	Frequency	Percentage
Between 18-25	4	67%
Between 26-35	2	33%
Between 36-45	0	0%
Above 45	0	0%
Total	6	100%

Source: own survey (questionnaires2019)

Table 4.1.2 shows the age groups of the respondents. Since the study emphasized business micro finance, a minimum age of 18 years old was considered reasonable. There were three age groups involved in this study with a different age-year range in each group. The largest group of the respondents, (67 or 33%) was aged between 18-25and 26-35years old and respondents in the group of above 36-45 and above 46 years old was the lowest number with no responses.

Generally, respondents within the age group of 18-25 and 26-35 made up the largest portion with 6 (100%) of the total respondents. So that according to the data of the survey (2011 E.C) they are many adult populations that engaged on both credit collector and micro finance.

Table 4.3 Marital status

Marital status	frequency	Percentage
Married	2	33%
Unmarried	4	67%
Divorced	0	0%
Total	6	100%

Source: own survey (questionnaires 2019)

The table above 4.3, to establish out the respondent's marital status of which 33% of the respondents were married and 67% were unmarried. This shows the majority of micro finance and collectors are unmarried and there is no respondent divorced engage to credit collector from micro finance.

Table 4.4 Education analysis of the respondent

Description	Respondent	
	Frequency	Percentage
Grade 10 completed	0	0%
Below grade 12	1	17%
Diploma level	2	33%
BA degree	3	50%
Above BA degree	0	0%
Total	6	100%

Source: own survey (questionnaires 2019)

In order to pay appropriate credit, knowing educational level is mandatory for the purpose of developing one country. Concerning the educational qualification of the respondents, figure 4.4, illustrates that of that are no anyone that have Grade 10 completed from respondents. On the 1 (17%) of the respondents are below grade twelve. On the other hand, the number of respondents who are diploma and 1stdegree holders are 2 and 3; each of them representing 33% and (50% of the total respondents respectively. They are no anyone that have second degree from the respondents. This can be an indication that the majority of the respondents have no good academic background that can help them to understand the credit laws and procedures and they do not have

specific credit knowledge that can help them to comply with different credit compliance requirements. In order to pay appropriate credit management from micro finance business owners must be knowledgeable about the different compliance measures and requirements.

Table 4.5 work experience

Description	Respondents	
	Frequency	Percentage
Blow 2 years	0	0%
2-5 years	4	67%
6-10 years	2	33%
Above 10 years	0	0%
Total	6	100%

Source: own survey (questionnaires 2019)

In relation to work experience of employees, the table shows that 4 respondents, representing 67% of the employees have an experience of 2-5 years, 2 respondents, representing 33% of the employees have an experience between 6-10 years. This shows that most of employee's work experiences were between 2-5 years.

4.1.1.2 Employees response to the study related question with the credit management of micro finance institution

In this section the attitudes of employees related to micro finance benefits are discussed. The analysis and presentation in made using statically tools such as frequencies percentage and table

4.1.1.2.1 Credit management Activities practiced of metemamen MFI.

Table 4.6 the activities practiced of metemamen MFI.

CM activities practiced of metemamen MFI	Strongly Agree		Agree		Neutral		Disagree		Strongly disagree	
	Freq	%	Freq.	%	Freq	%	Freq.	%	Freq	%
Your institution have Strengthening legal enforcements & penalties for credit mgt.	6	100 %	0	0%	0	0%	0	0%	0	0%
There is a modern technology that is used for controlling of credit.	2	33%	2	33 %	1	17 %	0	0%	1	17 %
Having strong collateral secures loan repayment	3	50%	2	33 %	0	0%	1	17 %	0	0%
The MFI give adequate consumer and training before granting a loan	6	100 %	0	0%	0	0%	0	0%	0	0%
All employees well informed about the policy and procedure of the institution	0	0%	3	50 %	1	17 %	2	33 %	0	0%

Source: own survey (questionnaires 2019)

Employees of CM OF MFI believe that various agreement levels with various attitudes towards MFI activities practiced. In table 4.5 shows 4 respondents, represent 67% strongly agree with MFI is a best means to Your institution have Strengthening legal enforcements & penalties for credit

mgt., the other 2 respondents, represent 33% strongly agree about the best means of Your institution have Strengthening legal enforcements & penalties for credit. In general, all 100% of the respondent accepts CM as best means to your institution have Strengthening legal enforcements & penalties for credit in MFI.

According to the above table 4.5, 5 respondents are 33% of employees strongly agree about CM best means that enables the MF to expand its service provision easy. The remaining 33% employees agree about CM as the best means to the MF to a modern technology that is used for controlling of credit. The other hand 17% and 17% of employee neutral and strongly disagree about CM as the best means to MF to modern technology that is used for controlling of credit. Generally, CM you institutions the MF to modern technology that is used for controlling of credit management.

In relation with the having strong collateral secures loan repayment of CM loan repayment, 50% of employees said strongly agree about CM having strong collateral to the MF loan repayment. 33% of the respondents agree with this. The remaining 1 respondent representing 17% of employees disagree about having strong collateral to the MF loan repayment. Generally, majority of employees (83%) are agreed about CM benefits in relation with its having strong collateral to the MF loan repayment. This indicates that strong collateral to the MF loan repayment.

With regard to the MFI give adequate consumer, 3 respondents, representing 50% strongly agree, the other 1 respondents, representing 17% agree with CM benefits the MFI give adequate consumer and training before granting a loan. The remaining 1 respondent representing 33% of employees' neutral the MFI give adequate consumer and training before granting a loan. This implies that credit management from MFI give adequate consumer and training before granting a loan. With regard to all employees well informed about the policy and procedure of the institution, there are no respondents, representing strongly agree with CM the policy and procedure of the institution, the others 3 respondents, representing 50% agree with CM the policy and procedure of the institution. The remaining 1 respondent representing 17% and 33 of employees neutral and disagree about all employees well informed about the policy and procedure of the institute

Table 4.7 the sector of metemamen microfinance credit user.

Description	Respondent	
	Frequency	Percentages
The sector of metemamen microfinance credit User		
Agriculture	3	50%
Foreign trade	0	0%
Manufacturing	0	0%
Domestic trade	2	33%
Construction	1	17%
Total	6	100%
For what purpose did you give the loan		
Business	4	67%
Consumption	2	33%
Construction	0	0%
Other purpose	0	0%
Total	6	100%

Source: own survey (questionnaires 2019)

As indicated the above table 4.6, the total sample population has different type of sector the most user of the microfinance credit. As shown on the above table 3(50%) and 2(33%) and 1(17%) are engage on agricultural, Domestic trade, and Construction respectively. This shows that most employees of credit management are of micro finance are engaged on the same activity and there are no one engaged in Manufacturing and foreign tread type of sector the most user of the microfinance credit. As indicated in the above table 4.6, about 4(67%) of respondents are business purpose did you give the loan while the remaining there is no respondent on construction. As indicated in the above table 4.6, the frequency of respondents indicated in the majority part of the loan was repaid by business.

4.1.1.3 What method the (micro finance) institutions use to follow up the loan.

Table 4.8 Method the institution use to follow up the loan

What are the methods the institutions use to follow up the loan?	Strongly Agree		Agree		Neutral		Disagree		Strongly disagree	
	Freq	%	freq	%	Freq	%	Freq	%	Freq	%
Your microfinance institution clients repay their obligation as per the scheduled time	4	67 %	0	0%	2	33 %	0	0%	0	0%
Your institution have follow monitoring mechanism to collects credit payments	0	0%	3	50 %	2	33 %	0	0%	1	17 %

Source: own survey (questionnaires 2019)

As described on the above table of 4.7, 4(67%) of respondents are strongly-agree, 2(33%) of respondents are, strongly-disagree respectively with your microfinance institution clients repay their obligation as per the scheduled time. Generally most of respondents (67%) accept that metemamen micro finance clients repay their obligation as per the scheduled time. This implies the clients of metemamen micro finance have positive/good attitudes towards repayment of obligation. These show the above table of 4.7, 2(33%) of respondents are strongly agree with your institution have follow monitoring mechanism to collects credit payments, tow of 2(33%) of respondents are agree with your institution have follow monitoring mechanism to collects credit payments, tow of 1(17%) and 1(17%) of respondents are neutral and strongly disagree with your institution have follow monitoring mechanism to collects credit payments. Generally most of respondent (66%) accepts that metemamen micro finance follow monitoring mechanism to collects credit payments. This implies the follow of metemamen micro finance have positive/good attitudes towards monitoring mechanism of collects credit payments

Table 4.9 any follow –up and supervision the institutions use

any follow –up and supervision the institutions use	Respondents			
	Frequency		Percentage	
	Yes	No	Yes	No
Is there any follow –up and supervision?	2	4	33%	67%
Total	2	4	33%	67%
If yes what are the reason behind of the question				
Because of the loan should be repaid and will give to other	1	-	50%	-
It will affect the profitability so it should be follow-up	1	-	50%	-
Total	2	-	100%	-
If no what are the reason behind of the question				
Because any customer from metemamen MFI rules and regulations so it does not follow up	-	2		50%
Because of customers business place found in far from metemamen MFI	-	1		25%
Most customer borrowed for the purpose of constructions then it does not want follow it	-	1		25%
Total	-	4	-	100%

Source: own survey (questionnaires 2019)

As Indicated in the above table 4.8, summarized the finding of data collected on issues concerning the availability of there any follow –up and supervision and 2(33%)of the respondents believed that the there any follow –up and supervision services. However, 4(67%) of the respondents do not believe that there any follow –up and supervision service follow –up and supervision to customer, makes then to understand the repayment procedure and spend the borrowed money for the proposed project. If the borrowers are aware of this procedure supervision the collection of the money that metemamen micro finance lends will be easier. Show that above the table 4.8, samara

zed the finding of data collected on issues concerning the available of there if yes what the reasons behind of the question are. Because of the loan should be repaid and will give to other 1(50%) and the other hand if yes It will affect the profitability so it should be follow- up 1(50%). There are equal of the loan should be repaid and will give to other and the other hands if yes It will affect the profitability so it should be follow- up. This indicates the above table 4.8, if no what are the reason behind of the question. If no respondent are 2(50%) with because any customer from metemamen MFI rules and regulations so it does not follow up and other hand if no respondent are 1(25%) and 1(25%) with Because of customers business place found in far from metemamen MFI and most customer borrowed for the purpose of constructions then it does not want follow it. Generally most of respondents (50%) accept that metemamen micro finance rules and regulations so it does not follow up.

Table 4.10 Method of loan repayment

Method of loan repayment	Respondent	
	Frequency	Percentage
Installment method	4	67%
Lump sum method	2	33%
Total	6	100%

Source: own survey (questionnaires 2019)

As indicated in the above table 3.9, about 4(67%) of respondents were repaid the loan on installment method. 2(33%) of the respondents were repaid the loan on lump sum method while the remaining there is no respondent on other method. As indicated in the above table 3.9, the frequency of respondents indicated in the majority part of the loan was repaid by installment method.

4.1.1.4 The effectiveness of polices and procedure the institution follows in providing loan.

Table 4.11 Policy, procedure and repayment

Policy, procedure and repayment	Strongly agree		Agree		Neutral		Disagree		Strongly disagree	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
The loan that are disbursed enough to the customer to run the business	2	33%	0	0%	0	0%	1	17%	2	33%

Source: own survey (questionnaires 2019)

As described on the above table of 4.10, 2(33%) of respondents are strongly-agree, 3(50%) of respondents are, disagree with the loan that are disbursed enough to the customer to run the business two of 1(17%) respondents are strongly disagree respectively with the loan that are disbursed enough to the customer to run the business. Generally most of respondents (50%) accept that metemamen micro finance are disbursed enough to the customer to run the business. This implies the loan that are disbursed enough to the customer to run the business of metemamen micro finance have positive/good attitudes towards the customer to run the business These show the above table of 4.11, 3(50%) of respondents are strongly agree with your institution have any police and producer of the institution tow of 2(33%) of respondents are agree with your institution have any police and producer of the institution tow of 1(17%) of respondents are strongly disagree respectively with your institution have any police and producer of the institution. Generally most of respondent (50%) accepts that metemamen micro finance your institution have any police and producer. This implies the follow of metemamen micro finance have positive/good attitudes towards have any police and producer of the institution.

Table 4.12 long did it take to give loan.

Description	Respondents	
	Frequency	Percentage
<5 days	0	0%
5-10 days	0	0%
11-15 days	2	33%
Above 15 days	4	67%

Source: own survey (questionnaires 2019)

As indicated in the above table 4.12, about 4(67%) of respondents were repaid the above 15 days 2(33%) of the respondents were repaid the 11-15 days while the remaining there is no respondent on other method. As indicated in the above table 4.12,the frequency of respondents indicated in the majority part of the loan was repaid by above 15 days

4.1.1.4.1 To identifies the monitoring mechanism used by the institutions to collect credit.

Table 4.13. Loan collection effort

Description	Respondents	
	Frequency	Percentage
Very adequate	4	67%
Adequate	2	33%
Less adequate	0	0%
Not adequate	0	0%
Total	6	100%
What the agreement periods of regarding the repayment		
Monthly	3	50%
Quarterly	0	0%
Semi annual	1	17%
Yearly	2	33%
Total	6	100%

Source: own survey (questionnaires 2019)

Table 4.12, depicts concerning of the micro finance loan collection effort, 67% of the respondents said that very adequate and the remaining 33% said that adequate. This implies that the

metemamen micro finance has adequate loan collection effort. As shown that above table 4.11 about 3(50%) of the respondent are with the repayment period is monthly tow of 2(33%) of respondents with the repayment period is semiannual and 1(17%) of respondents are the repayment period is yearly. This implies that the policy of the institution requiring repayment is one month.

Table 4 .14. The collateral does the microfinance request from the borrower

Description	Respondents	
	Frequency	Percentage
What types of collateral does the microfinance request from the borrower		
Vehicle	2	33%
Building	4	67%
Land	0	0%
Deposit security	0	0%
Total	6	100%

Source: own survey (questionnaires 2019).

Table 4.13, depicts concerning of the types of collateral does the microfinance request from the borrower, 2(33%) of the respondents said that Vehicle and the remaining 4(67%) said that Building this implies that the metemamen micro finance has Building types of collateral does the microfinance request from the borrower.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

INTRODUCTION

In the previous chapter the researcher tried to investigate problems, weakness and strength of metemamen micro finance regarding credit delivery system. In this chapter the researchers made a conclusion and recommendation.

5.1. Conclusions

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.

In light of the above, the main objective of this study was to examine the effect of activities practiced in an institution, the method an institution use to follow up the loan, polices and procedure the institution follows in providing loans and the monitoring mechanism used by the institutions to collect credit on the credit management of the microfinance institution. For the achievement of the objective of the study quantitative research approach particularly survey design was used. In this study primary source of data was used and the researcher would be using questionnaires to collect data from the employee, and management body of the institutions. The census method was used to collect data from employee and management body of metemamen credit and micro finance institution.

The finding shows that in order to reduce the risk of the credit in metemamen microfinance institution they practice a lot of credit management activity. Those activities are giving a training for the borrower as well as for the employee a policies and procedures of an institution before them granting loan, ask strong collateral for securing credit and if they fail to repay their loan use legal enforcement and penalties for credit management. Since the loan amount is medium, 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.

Furthermore metemamen micro finance in order to collect the loan they grant from their customer use a variety of credit management method to overcome a risk related with credit. Those methods are enforcing clients to repay their obligation as per the scheduled time, monitoring mechanism to collect credit payments.

The study shows that, metemamen micro finance does not have any follow-up and supervision in order to overcome a risk related with credit. The main reason for this problem is some customers are far away from metemamen microfinance institution so this make difficulties to follow up.

The study reveals that, most of the methods of loan repayment of metemamen micro finance institutions were Installment method. This implies metemamen micro finance institutions consider the ability of customer and to reduce default risk for payment of their loan instead they make a payment in lump sum they use Installment method, the study reveals, metemamen micro finance have policy, procedure and repayment a variety in order to overcome their risk. Such policy, procedure and repayment are disbursed enough to the customer to run the business.

The study shows, with regard to loan collection effort metemamen micro finance institution have a very adequate performance, regarding the repayment agreement their term is mainly on monthly, types of collateral does the microfinance request from the borrower their term is mainly building, This implies the institutions have well-organized policies toward repayment of loan.

5.2 Recommendations

Based on the findings of the study the following possible recommendations were forwarded.

The study discloses that, agricultural sector is the most users of the metemamen microfinance institutions and mainly they use credit for the purpose of business activities. This implies metemamen micro finance institutions provides valuable supports for business men who are engaged on agricultural activities since, sufficient finance were required by business men undertaking such like activities practiced a variety of credit management, so it advices if the other sector take loan from metemamen micro finances institution.

- ✓ To increase high quality of credit management, metemamen should give a training for their worker on the areas of granting loan and collecting it. The training should be given on

continuous bases like every six month and every to refresh what they know and through group discussion they may share their ideas and finally come to some solution for customer problem.

- ✓ Furthermore Metemamen microfinance does not have any follow –up and supervision in order to overcome a risk related with credit. Should have to follow up; this in turn can help them for making sound decision since we know the collateral position and the customer business.
- ✓ Metemamen should also know first the credit worthiness of their customer before them giving loan. Specifically they have to understand for what purpose the borrower take a loan and investigate the proposed project by professional to avoid the credit risk.

Generally microfinance institution have significant importance in the economy of developing countries, The sector contributes a lot by minimizing unemployment by providing loan to customer for those who are actively seeking jobs. Not only this 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.

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Accounting Society of Ethiopia

APPENDIX
WOLKITE UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE

Dear respondents;

This study is conducted under title “The credit management on micro finance institution in case of wolkite branch. The information is required for conducting senior essay in accounting & finance as partial fulfillment for obtaining bachelor degree in accounting & finance. Dear respondent, I would like to express my gratitude in advance for your cooperation. You will show the answer in completing the questionnaires below.

INSTRUCTION

- ✓ In all cases, where answers to options are available, please tick (✓) in the appropriate box.
- ✓ For questions that demand your opinion, please try to honestly describe your responses on the space provided.
- ✓ Don't write your name.

Questioners related with the financial institutions (organization) employees and manager

Part I: General information of respondents:

- Put tick (✓) mark in the appropriate box for questions that involve choices & provide brief statement for open end questions in the appropriate space.

1 Gender: Male female

2 Age: A 18-25 years C) 36-45 years
B) 26-36 years D) Above 45 years

3. **Marital status:** A) Married B) Unmarried C) Divorced

4. **Level of education:** A) Grade 10 completed B) 12 Completed
 C) Diploma D) Degree E) Above

4. **Work experience:** A) < 2 years B) 2-5 C) 6- 10 year D) > 10 years

Part II: Questioner related with the activities practiced in credit management of institution metemamen micro finance institution, in Wolkite branch.

No	The following are the credit management of institution metemamen micro finance institutions provide for investors please Put tick (√) mark in the appropriate choice given	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	Your institution have Strengthening legal enforcements & penalties for credit mgt.					
2	There is a modern technology that is used for controlling of credit.					
3	Having strong collateral secures loan repayment					
4	The MFI give adequate consumer and training before granting a loan					
5	All employees well informed about the policy and procedure of the institution					

6. Which sector is the most user of the microfinance credit?

A) Agriculture B) Foreign trade C) Manufacturing

D) Domestic trade E) Contraction

7. For what purpose did you give the loan?

- A) Business B) Consumption C) Construction D) Other

purpose

8 How you rate the effectiveness your micro finance credit analysis before the loan granted to a borrower

- A) Excellent B) Very good C) Good D) Fair
 E) Poor F) Very poor

II Questionnaires related with credit management method the institutions use to follow up the loan.

P	Strength	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	Your microfinance institution clients repay their obligation as per the scheduled time					
2	Your institution have follow monitoring mechanism to collect credit payments					

3. What is the method of loan repayment should the customer follow?

- A) Installment method B) Lump sum method
 C) Others _____

4 Is there any follow-up and supervision

- A) Yes B) No

If yes (Q/3) Specify?

1) _____

2) _____

3) _____

If No (Q/3) why?

1) _____

2) _____

3) _____

III Questionnaires related with the effectiveness of polices and procedure the institution follows in providing loans.

P	Strength	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	All the customers fulfill the criterion applied by your institution					
2	The loans that are disbursed enough to the customers to run their business					
3	Your institutions have any policy and procedure of only metemamen branch rather than government police					

4 How long did it take to give loan?

A) <5 days B) 5 -10 days C) 11 -15 days

D) above 15 days

5. 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

IV Questionnaires related with to identify the monitoring mechanism used by the institutions to collect.

1Howe do you rate adequate of loan collection effort of your micro finance

- A) Very adequate B) Adequate C) Less adequate
D) Note adequate

2What are the agreement regarding the repayment?

- A) Monthly B) quarterly C) Yearly
C Semi annually

3 What types of collateral does the microfinance request from the borrower

- A) Vehicle B) Building C) Land
D) Cash deposit