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An Analysis of Micro Finance Institutions (With Respect To Loan Repayment)

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ABSTRACT

This study is on the title of "an analysis of micro finance institution with respect to loan repayment" in Oromia credit and saving Share Company with primary objective of examine the repayment of loans granted to customers on micro level. In this study both primary and secondary source of data used and the researcher would be use open end and close questionnaires and structured interview to collect data from the employee, customers and management body of the institutions and was use convenience non probability technique to select customers and census technique to select target population among employee and management body of Oromia credit and saving Share Company. And also the researcher used descriptive method of data analyzing. The analysis of the data revealed that, there is problem in group borrowing methodology, the institution doesn't collect its credit on specified period, rather they mostly after the due date and also the repayment period is not suitable. Therefore the institution is advised to create awareness to the customer, about the time value of money and to improve the repayment period.

Key words: micro finance, Credit, institution

I. BACKGROUND OF THE STUDY

According to Hulme, (1991) microfinance institution was first started in 1980, by professor Mohammed Yenus in Bangladesh. 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 appreciate and support micro finance institution, According to proclamation number 40/1996 of the federal government of Ethiopia, microfinance business means an activates, that extending credit, in cash or in kind to peasant (Abinet, 2007).

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 where 30 licensed micro finance institution in Ethiopia working both rural and urban areas so this study is conducted on Oromia credit and saving micro finance institution which was established in 1995 (CIMMISA, 2010). Therefore, this study tries to examine the issues of loan repayment in microfinance institutions in the case of Oromia credit.

II. 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. Most of microfinance institutions approve loans for productive purpose, because income increment is positively indicator to which all development activities are addressed (Daniel, 2010).

Credit management and loan repayment system 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 risk and credit decisions. Mulat (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 be come arbitrary subject to individual discrimination and judgment.

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

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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?
d saving Share Company on bulehora branch.

III. OBJECTIVE OF THE STUDY

General objective

The main objective of the study was to examine the repayment of loans in microfinance institutions on Oromia credit and saving Share Company in Bule Hora branch.

Specific objectives

- ✓ To assess the activities practiced for repayment of loans
- ✓ To assess the activities practiced credit management of the institution.
- ✓ To assess the effectiveness of polices and procedure the institution follows in providing loans.
- ✓ To assess the methods of the institution uses to follow up loan.
- ✓ To identify the monitoring mechanism used by the institutions to collect credit.

IV. BASIC RESEARCH QUESTIONS

Therefore, the researcher motivated to study related to Loan repayment and credit management practice in Oromia credit and saving micro finance institution by answering the following basic questions.

- ✓ What are the activities practiced in credit management of institution Oromia micro finance institution, in bulehora town?
- ✓ What policies and procedures the institution follows?
- ✓ What method the institutions use to follow up the loan?
- ✓ What are the monitoring mechanisms to collect credit in the institution?

V. SIGNIFICANCE OF THE STUDY

The importance of this study was to enhance the competitive position of Oromia credit and saving micro finance institution by finding ways that improve the loan repayment system of the institutions. The researcher also believes that the result of this study was pave the way for the clients of the institutions, also for the institutions and additionally serves as reference for other researcher.

Also the study was provides additional knowledge to credit managers in designing new credit management and for planning and controlling procedures in credit activities and it helps the clients of the institution by informing necessity of paying credit according to agreements, in preventing un necessary payments.
Finally, the study helps for further researchers as reference who want to conduct study on the area of credit management of financial institutions particularly microfinance institutions.

VI. SCOPE STUDY

Because of no sufficient time and no enough budget to conduct study on wide area the study is limited to Oromia credit and saving micro finance institution of BuleHora branch geographically. To carry out this study, there were certain obstacles, such as the data collected was no sufficient because there were lack of secondary data and the same time some of the respondents are not willing to fill the questioner.

VII. LIMITATION OF THE STUDY

When conducting the research the researcher would face some limitation. Including:

- ✓ Some of the respondents were not willing to fill and return the distributed questionnaires.
- ✓ The researcher faces lack of enough capital to do the research very well.

Lack of experience in conducting research

VIII. LITERATURE REVIEW

Ethiopia is one of the poorest countries in the world with annual per/capital income of $ 170. The United Nations development programs human development report for 2007- 2008 ranked Ethiopia as 169th out of 177 countries on the Human development Index the average life expectancy after birth is 48yers. Infant, mortality and malnutrition rate are among the highest in the world while access to education has increased in recent years, the overall adult literacy rates is low compared to the sub- Saharan African standards roughly 44% of the population lives below marked differences between rural and urban areas. Most rural households live on a daily per capital income of less than$ 0.50

Generally, rural households have less access to most essential assessment; overall progress in reducing poverty since 1992 falls short of what is required of meet 190G 1 by 2015 as result high variability in agricultural GDP and rapid population growth. Most rural households are finding it increasingly difficult to service without resource to seasonal or permanent urban migrations search of wage employment (http;//www.rvral poverty portal.org).

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)

Micro finance as Anti- Poverty strategy

The recent definition of poverty by the roared bank extended the conceptual dimension beyond the conventionally held idea of permanent income/ consumption of lack of income) assets, sense of noiselessness 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 AISD, private banks. Through growing in number don't engage them in this raid. 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 ext remedy high, varying from 50% to 120% that the errata interest can 90 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 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 conductive 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 food 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 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.
(http:// www.Ruralpovertyportal.org.web.gues)

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 makes sand researches as vehicles of poverty mitigation. Pioneered by the German bank in Bangladesh, most micro finance program required the poor to from 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 5.2t 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 are about 30 micro-finance institutions. 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 theses, 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)

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 subsides. Self-selection is another mechanism used to avoid defaulter borrowers. In using this mechanism, prospective members are asked to form groups by them solves, and screen in favor of those they believe will repay the loan. The group lending methodology removers 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 mechanisms 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).

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).

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

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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).

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 without jeopardizing future business.

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 mgt 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 lenders 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.

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.

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 nonpayment of debts due to exorbitant interstates, could lead to alienation of property rights (Danielk, 2010)

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. (IBID)

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.

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

IX. METHODOLOGY

The research Design

- The study was focuses on the assessment of credit management on microfinance institutions in case of Oromia credit and saving Share Company in Bulehoratown. The study was used both qualitative and quantitative research approaches in order to achieve the research objective.

Source of data

- In order to get sufficient and relevant information for the study the researcher was used both primary and secondary data. The primary data was collected from customers, employees of the institution and management on the current situation of the institutions and performance of employee and secondary data was collected from books, manuals and reports.

Sample techniques and sample size

- There was 100 total populations of workers in Oromia credit and saving Share Company, on Bule Hora branch. All employees was selected by using census method. Because, those of 10 employees was especially to engaging in the area of credit management.
- Among total population ,we was get 80 respondents.. Out of 80 respondents or customers; what,where , could get was only 50. Thus, the study tried to analyze and interpreted the data based on the 50 customers.

Method of data collection

- Primary data was collected using structural interview from credit mangers because, to get relevant data and by used questioners from customers and employees. In the questioners, the researcher was use both close- end and open- end questions in such a way that they should generate important information on credit management system of Oromia credit and saving institution.

Method of data analysis

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

X. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

The sample survey covered respondents which were selected conveniently from the customer of the institution by used judgmental sampling and for employee of the organization by used census techniques. Out of 160 samples size, what i could get was only 100 respondents. Thus, the study tried to analyze and interpreted the data based on the 100 customers and the Twelve (12) employees.

Description on respondents back ground the age, sex, education level, type of occupation

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and marital status are some of the characteristics of sample respondents.

Table 1. Demographic characteristics of respondents (customers)

No	Item	Frequency of responses	
1	Age	No	%
	<20	10	10
	21 – 30	30	30
	31 – 40	50	50
	Over 40	10	10
Total		100	100
2	Sex		
	Female	75	75
	Male	25	25
Total		100	100
3	Marital Status		
	Married	60	60
	Unmarried	40	40
Total		100	100
4	Level Of Education		
	Illiterate	51	51
	Primary Education (1-8)	12	12
	Secondary Education (9-10)	9	9
	Preparatory Education (11-12)	6	6
	12 Complete	13	13
	Technical & Vocational	9	9
	Higher Education	0	0
Total		100	100
5	Occupation		
	Hair Saloon and Cosmetics	21	21
	Construction Work	4	4
	Retailer	56	56
	Other	19	19
Total		100	100

Sources: survey result 2020.

Table 1 item 1 shows 50(50%) customers are between the age of 31 and 40, 30(30%) of customers are in the age of 21-30, 10(10%) customers are above the age of 40 and there are 10(10%) less than 20 age customers. item 2 depict that whose 75(75%) of the customers are female and 25(25%) of the customers male. Item 3 shows us that 60(60) of the customers are married while 40(40%) are unmarried. Item 4 tells us that most of the customers. i.e. 52(52%) are illiterate, 12(12) are primary education level, 9(9%) of them reached secondary education, 9(9%) customer reached for preparatory education, 13(13%) customers have completed grade 12, 9(9%) of them are technique and vocational students. Higher education is zero. Generally the above table indicates us that 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 MFIIS can have a relatively higher capital such as construction the finding in this study suggested they are not offering suds a loan, the reason for this is mainly the single borrower loan limit as national bank of Ethiopia directives is only birr 5000.

Loan disbursement and collection: most of the customers in the 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 2 Sufficiency, training and collection of credits

No	Item	Frequency of responses	
1	Do you think the loan given to you is handle a business you are running?	No	%
	Yes	70	70
	No	30	30
Total		100	100
2	Do you get any training how to use the loan?		
	A. Yes	85	85
	B. No	15	15
Total		100	100
3	Does the institution collect its credit given to customers with in the specified period?		
	A. Yes	70	70
	B. No	30	30
Total		100	100

Sources: survey result 2020.

Table 2 item 1 shows that 70(70%) respondents stated that the loan is enough to handle a business and 30(30%) disagree this. Table 2 item 2 depicts that 85(85%) respondents agreed the presence of training but the minority i.e. 15(15%) said that there is no training. Table 2 item 3 shows that 70(70%) of the respondents witnessed that the institution collects its credits on the specified time, were as 30(30%) 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 know about how the customers use the loan. From item 3 we can understand that the constitution give priority for lending and collecting both.

Table 3 The repayment period mostly used by customers

No	Item	Frequency of responses	
1	Which period is being used by you?	No	%
	A. The repayment period	21	21
	B. After the due date	65	65
	C. Both	14	14
Total		100	100

Sources: survey result 2020.

From table 3 item 1 we can observe that only 21(21%) of the respondents repay their share of loans within the repayment period and the majority 65(65%) repay after the due date and 14(14%) of the respondents use alternatively the result indicates that the repayment period could be short.

Table 4 Presence of follow up & supervision

No	Item	Frequency of responses	
1	Is there any follow up and supervision?	No	%
	A. Yes	75	75
	B. No	25	25
Total		100	100

Sources: survey result 2020.

In table 4 it is indicated that 75(75%) of the respondents said that there be presence of follow up and supervision whereas 25(25%) 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 5 Amount and time to get loan

No	Item	Frequency of responses	
1	Amount borrowed from the institution	No	%
	A. ≤ 3000 birr	63	63
	B. 3001 – 6000	23	23
	C. 6001 – 90,000	14	14
	D. > 90,000	0	0
Total		100	100
2	How long did it take you, to get loan?		
	A. ≤ 5 days	22	22
	B. 5 – 10 days	59	59
	C. 11 – 15 days	19	19
	D. Above 15 days	0	0
Total		100	100
3	For how many months did you borrow?		
	A. ≤ 12 months	100	100
	B. 13 – 24 months	0	0
	C. 25 – 26 months	0	0
	D. 0 ≥ 36 months	0	0
Total		100	100

Sources: survey result 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 63(63%) borrowed less than birr 3000. Then next large number of borrowers took amount between 3000 birr & 6000 birr and this constitutes 23(23%) and the others constitute 14(14%) of total borrowers. There was no customer who borrowers 90,000 birr. Table 5 item 2 indicated that 22(22%) customers took less than 5 days to get loan most of the customers 59(59%) the customers 5-10 and 11-15 days 19(19%) above 15 days no took. 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 6.Purpose and agreement of loan and group lending

No	Item	Frequency of responses	
1	Purpose the loan?	No	%
	A. Business	98	98
	B. Consumption	2	2
Total		100	100
2	What was the agreement regarding the repayment		
	A. Monthly	100	100
	B. Quarterly	-	-
	C. Yearly	-	-
Total		100	100
3	Do you think that there is problem in group lending?		

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	A. Yes	72	72
	B. No	28	28
Total		100	100

Sources: survey result 2020.

Table 6 item 1 shows 98(98%) of sample respondents used the loan for business and 2(2%) used for consumption purpose. This implies that the microfinance institution is convenient for traders. Table 6 item 2 shows 100(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 72(72%) of customer are happy about the group lending method, on the other hand 28(28%) 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 employee. The employee of the institution are 10 and since of them have given their responses, the analysis and interpretation are based on the 50 customers.

Table 7 Characteristics of respondents (employees)

No	Item	Frequency of responses	
1	Sex	No	%
	Female	4	33
	Male	8	67
Total		12	100
2	Marital Status		
	Married	8	67
	Un Married	4	33
Total		12	100

Sources: survey result 2020.

Table 7 item 1 shows that 4 (33%) of respondents is female and 8(67%) of respondents are male.
Table 7 item 2 depicts about marital status and 8(67%) the respondents are married whereas 4(33%) of them are unmarried.

Table 8.Level of Education

No	Item	Frequency of responses	
1	Level of Education	No	%
	A. 12 Completed	0	-
	B. Diploma	6	50
	C. Degree	6	50
Total		12	100

Sources: survey result 2020.

Table 8 item 1 indicates that 6 (50%) of employee are holder of diploma and 6 (50%) hold degree. This indicates that to undertake the risk and they conduct with work at the same time to satisfy the customer.

Table 9. Criterion

No	Item	Frequency of responses	
1	Do all the customers full fill the criterions?	No	%
	A. yes	11	92
	B. No	1	8
Total		12	100

Sources: survey result 2020.

In table 9 item 1 it is depicted that 11(92%) of the employees witnessed that the customers knows all the criterion were as 1(8%) are said that all the customers don't fulfill all the criterion. This indicates that the most of the customers 92% have fulfilled the criterion but 8% of them are 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 10. Disbursement and group lending method

No	Item	Frequency of responses	
1	Are the loans that are disbursed enough to the customers to run their business?	No	%
	A. yes	11	92
	B. No	1	8
Total		12	100
2	Do you think that there is problem in group lending method		

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	A. Yes	10	84
	B. No	2	16
Total		12	100

Sources: survey result 2020.

Table 10 item 1 shows 11(98%) 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(8%) employee said that the loan disbursed is not enough. This is because there are some customers 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 10(84%) 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 and 2(16%) of employees said that group lending method has no problem because there are some customers who are loyal.

Loan site of the institution

The feasibility of the project is given the prime importance by the institution.

Loan site of the institution

Item	Description	For new customer	For existing customer
1	Individuals	2000	Up to 10,000
2	Cooperatives	Number of customers	Depends on the number of the members
3	Eder's	By Agreement	On Agreement

Source: survey result 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 Eder's are loan on agreement with the institution. This implies that edir's are credible by the institution.

Table 12. Policy, procedure and repayment

No	Item	Frequency of responses	
1	Are the employee well informed about the policy and procedure of the institution	No	%
	A. Yes	12	100
	B. No	0	-
Total		12	100
2	What do you think about the repayment of the loan?		
	A. Loan is timely repaid	10	84
	B. Loan is not timely repaid	2	16
Total		12	100

Sources: survey result 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 10(84%) are timely repayment of the loan and 2(16%) are not timely repayment of the loan. This implies that, the employees have no question or dread about repayment by their customers.

Table 13. Loan repayment period

No	Item	Frequency of responses	
1	What is there payment period?	No	%
	A. Monthly	11	92
	B. Quarterly	1	8
	C. Yearly	-	-
Total		12	100
2	Is the repayment period suitable?		
	A. Yes	6	50
	B. No	6	50
Total		12	100

Sources: survey result 2020.

Item 1 shows that 11(92%) of repayment period is monthly and 1(92%) of repayment period is quarterly. This implies that the policy of the institution requiring repayment is both monthly and quarterly. Item 2 depicts 6(50%) are the repayment period is witnessed by the employees to be suitable. This implies that the repayment period is exactly in line with their desires and 6(50%) %) are the

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repayment period is witnessed by the employees is not suitable. This implies that the repayment period is not exactly in line with their desires.

Table 14. Supervision on the loan

No	Item	Frequency of responses	
1	Is there any supervision on the debilitation?	No	%
	A. Yes	12	100
	B. No	0	-
Total		12	100
2	Is the supervision on both the loan utilization and repayment adequate?		
	A. Yes	8	68
	B. No	4	32
Total		12	100

Sources: survey result 2020.

Table 14 item 1 shows that there is supervision on the loan utilization. Item 2 indicates that the adequateness of the supervision is 8(68%) of the employee, whereas 4(32%) of the respondents disagree by the adequateness of the supervision. It 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 15. Not paying debt

No	Item	Frequency of responses	
1	What if a member of a group disappears without paying back his dept.?	No	%
	A. Group members to be responsible	-	-
	B. Going to court	-	-
	C. Waiting him /her fill comes	-	-
	D. A & B	12	100
Total		12	100

Sources: survey result 2020.

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

Table 16. Final Measures

No	Item	Frequency of responses	
1	What is the final measure for the defaulter	No	%
	A. Going to court	10	84
	B. Snatching his property	2	16
	C. Father	-	-
Total		12	100

Sources: survey result 2020.

As show in table 16 the final measure over the defaulter is 10(84%) of accusing the defaulter are going to court and 2(16%) of accusing defaulter are snatching his property .This implies that the micro finance institution (OCSSC) doesn't use any collateral for lending.

XI. 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 is 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.
- ✓ Follow up and supervision problem existed seems. May be due to shortage of employee, it is advised to hire additional employees.
- ✓ The institution doesn't mostly collect on the specified time period, mostly follow mechanisms that encourages it customer to pay on the specified time period. Example by offering relaxation on interest and noc charges 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.

XII. RECOMMENDATIONS

Since Oromia credit and saving micro finance institution is one of the micro finance institutions in Mettu, it must create its own core competency and must improve its loan repayment and 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 e.g. juice corner, mobile repair shop..
- ✓ 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 customers and illiterate customers.
- ✓ It should lend for more than one year and try to lend for individual who are not grouped
- ✓ If the institution starts lending above 10,000 birr for those whose business activities are attractive and profitable, it can increase its customer as well as its objectives.

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