Microfinance is one of the basic and most important strategies for paucity of poverty in developing countries. Many countries have realized this and started financing the people for their upliftment in many ways. The impact of microcredit is a subject of much controversy. Proponents state that it reduces poverty through higher employment and higher incomes. This is expected to lead to improved nutrition and improved education of the borrowers' children. Some argue that microcredit empowers women. In the US and Canada, it is argued that microcredit helps recipients to graduate from welfare programs. Anyway there are many evidences from several incumbents/borrowers that it has been facilitated the creation and the growth of businesses. Most microfinance institutions provide collateral-free small loans to low income households. These loans are generally expected to use for self-employment and income-generating activities (Kono and Takahashi, 2010).

Currently, there are a rising number of successful microfinance institutions worldwide. These are mainly local institutions that are grabbing a major number of poor people and making commercially viable (Evaluation office, 1999). Most of the microfinance institutions have development objectives like poverty mitigation. Therefore, Non Governmental Organization (NGO) and donors have tended to focus on social programs and services for which they have particular expertise, including programs aimed at reducing poverty (Basu, et al. 2004).

On the other hand, the defaulters’ percentage in microfinance is increasing day by day. There are many evidences from different countries stating that more delinquencies in personal loan, credit card, and microfinance etc. Increasing defaults in the repayment of loans may lead to very serious implications. For instance, it discourages the financial institutions to refinance the defaulting members, which put the defaulters once again into vicious circle of low productivity. Therefore, a rough investigation of the various aspects of loan defaults, source of credit, purpose of the loan, form of the loan, and condition of loan provision are of utmost importance for both policy makers and the lending institutions (Kelly, 2005).

However, increasing non-performing loan (bad debt loans) was a reason for provision and other administrative charges and on the other hand drastically reduces the banks income and profitability due to suspension of interest on non-performing loan. This undesirable fact tarnishes the image of the bank and negatively contributes to play its part in the countries development endeavors. Besides, ties the bank’s capital, affects its liquidity position, and reduces its competitiveness locally or in the global market and hence not compatible with a development bank that is expected to play an active and indispensable role by maintaining its sustainability.

Statement of the problem

Increasing defaults in the repayment of loans may lead to very serious implications. For instance, it discourages the financial institutions to refinance the defaulting members, which put the defaulters once again into vicious circle of low productivity. The banking sector in Ethiopia is at its infant stage, it has been facing various challenges and constraints. One of the biggest challenges was management of non-performing loans. The soaring low achievement of repayment performance may
have adverse impact on the financial performance of the bank as well as the progress of the economy. (Wondimagengehu, 2012)

To most of the transition economies, lending activities has been a controversial and difficult matter. This is because business firms on one hand are complaining about lack of credit and the excessively high standards set by financial institutions, while financial institutions on the other hand have suffered losses on bad loans Richard, (2006).

In addition to this, there were research limit on the analysis of determinants for loan repayment performance at Development Bank of Ethiopia as well as other banks. Therefore, the research statement problem is to fill the gap that was increase loan recovery performance of loan by assessments of loan repayment performance and its determinants under the case Study by conceptualizing different researcher ideas and as far as my concern categorized as independent variables in to five group factors that significantly related with pay on time (non -defaulter) and loan default.

**Research Questions:** the following 4 research questions have been framed

1. What were the challenges that determine loan repayment performance?
2. How lending credit risk assessment models examined that could impact on pay time, or loan default?
3. How external factors related variables problems could affect loan repayment performance of the clients?
4. How far loan utilization and business related factors were impact on determinants of loan repayment performance?

**Objectives of the Study**

The study was aimed to analyze factor that determining loan repayment performance & examining credit risk assessment instrument that guides the operation relation with successful loan repayment in relating with borrower, loan utilization, institution side, business related as well as external related factors. To answer the above research questions the following 4 objectives were identified.

1. To study the problems and challenges that affects loan repayment performance
2. To Study the significant external related factors that determine loan repayment performance.
3. To provide detail information of institutional related factors that impact on loan repayment performance under case study.
4. To assess the factors that impact on loan utilization and business related factors in repayment performance and improving low collection under case study

**Significance of the study**

Empirical work done on the problem of loan repayment in different financial institutions; Consume the output of the research for citation. The results of the study was also be useful to academicians as it would have implications for further research and contributes to new knowledge. This study might have a paramount importance in providing a better ground for institution of Micro policy amendments. It would also contribute to the existing body of knowledge to fill the research gap on the factors leading to loan defaults.

**Scope of the study**

The Scope of the study was limited to an assessment of loan repayment performance and its determinants under Nekemte district, Exclusive of other districts exist in Development Bank of Ethiopia and main offices credit relation management process.
Glance of study sight and operational issues in loan disbursal and repayment

According to National Bank of Ethiopia Directive, Development finance institution shall base periodic loan from their borrowers on cash generating capacity of financed by the loan, without limiting the generality of the statement Here of they shall collect medium and long term loans at least

- Monthly from business that regularly generates cash daily.
- Quarterly from business that regularly generate cash in two to 30 days.
- Semiannually from business that generate cash 181 days, and,
- Annually from business that generate cash on 181 to 360 days.

Van (2002) explains that, capacity refers to the ability of the borrower to repay the loan. Net income – family living expenses = Surplus. The surplus is used to repay the credit. Most borrowers can easily repay the principal and interest. However, some of them find it hard to repay the principal. Cash flow budgeting technique is used to assess repayment capacity. Good financial management improves repayment capacity and the profitable use of credit.

The following was help borrowers to improve their repayment capacity.

i. Extending repayment time-long repayment period

ii. Planning repayments to coincide with income

iii. Planning and running to minimize overhead costs

The Credit Approval Process

Underwriting is the process by which the lender decides whether an applicant is creditworthy and should receive a loan. The loan approval process is the first step towards good portfolio quality. When individual credits are underwritten with sound credit principles, the credit quality of the portfolio is much more likely to be sound. Although good loans sometimes go bad, a loan that starts out bad is likely to stay that way. Every loan approval process should introduce sufficient controls to ensure acceptable credit quality at origination.

Methodology used for this research

The study was done by using cross-sectional type in the sense that all relevant data was collected at a single point in time. The reason for preferring a cross-sectional study is due to the vast nature of the study.

Target of population from existing number of borrower under the district and employees of the development bank of Ethiopia credit analyst used. As per the thumb of the rule five times the number of independents designed variables of twenty five explanatory variables. Accordingly, 125 respondents of sample size determined the study implemented on dependent variable proportionally from existing customer performance pay on time and Loan default as per the target of population proportionally. A sample of 20 borrowers was interviewed, out of which 10 are successful and 10 of them unable to perform as per scheduled. 20 credit analyst respondents of from employee of under Nekemte district.
Stratified random sampling was used, which is valuable for making homogenous groups in terms of pay on time and not pay on time. Secondly, simple random technique numbers were use out of homogeneous group randomly classified as non defaulter and defaulter after determined sample size and used simple random technique. This questionnaire was developed to obtain information on borrowers characteristics, external related factors, Nature of the project characteristics and loan & institutional related.

Instrument Validity
A pilot study was conducted to refine the methodology and test instrument such as a questionnaire before administering the final phase. Ten questionnaires were distributed and filled before by potential respondents to make the data collecting instruments objective, relevant, suitable to the problem and reliable as recommended. Issues raised by respondents were corrected and questionnaires were refined. Besides, proper detection by an advisor was also taken to ensure validity of the instruments. Finally, the improved version of the questionnaires were printed, duplicated and dispatched. The instruments selected can help to show determinant factors that affect loan repayment performance of under case study. It can clearly address how these factors affect the performance of loan repayment under case study Moreover, to have valid conclusion, inferential statistical model was used to test the relationship between the variables.

Model Specification
The purpose of this study is to analyses which of the hypothesized independent variables were related to the loan repayment performance, the dependent variable in this case is a dummy variable (binary). This takes a value zero for borrowers pay on time (non-defaulter) and value 1 for not pay on time customers (defaulter).

As per Pindyck and Rubinfeld (1981), the cumulative Logistic binary function characterizing adoption by the sample respondents of self-administered questionnaires” and survey specified as:

\[ P_i = F(Z_i) = F\left(\frac{1}{1 + e^{-\left(\alpha + \sum_{i=1}^{m} \beta_i x_i\right)}}\right) \]  

Where:
- The subscript \( i \) denotes it observation in the sample.
- \( e = \)represent the base of natural logarithms (2.718...)
- \( X_i = \) represent the ith explanatory variable
- \( P_i = \) the probability that an individual makes certain Choice given \( x_i \),
- Constant \( \alpha \) and \( \beta_i \) parameters of the model estimated.

Interpretation of coefficients was be easier if the logistic model can be written in terms of the odds and (Homer and lemeshow ,1989 Gujarati 1995). The odds ratio implies the ratio of the probability that borrower would pay on time (\( P_i \))to the probability that he/she would be default (1-\( P_i \)) The probability that being default is defined by the Formula:

\[ \frac{1}{1 - P_i} = \frac{1 + e^{zi}}{1 + e^{-zi}} \]  

Using equations (1) and(2), the odds ratio becomes:

\[ \frac{p_i}{1 - p_i} = \frac{1 + e^{zi}}{1 + e^{-zi}} \]

Taking the natural logarithms of equation (4) was giving the logit model as indicated below:
\[ Z_i = \ln \left[ \frac{p_i}{1 - p_i} \right] = \alpha + \beta_1 x_{1i} + \beta_2 x_{2i} + \ldots + \beta_m x_{mi} \]  

(5)

If we consider disturbance term, \( u_i \), the logit model becomes:
\[ Z_i = \sum_{i=1}^{m} \beta_{txti} + u_i \]  

(6)

In the above model it should be noted that the estimated coefficients do not directly indicate the effect of change in the corresponding explanatory variables on probability (p) of the outcome occurring rather the coefficients reflect the effect of individual explanatory variables on its log of odds. Where the expression for log of odds as shown above is given as: \( \ln \left[ \frac{p}{1-p} \right] \), the positive coefficient indicates that the log of odds changes as the corresponding independent variable increases. The coefficients in the regression model are estimated using the maximum likelihood estimation method.

A technique called variance inflation factor (VIF) was used to measure the degree of linear Relationships among the quantitative explanatory variables. VIF shows how the variance of an estimator is inflated by the presence of multi co linearity and it can be computed as follows:
\[ \text{VIF} (X_i) = \left( 1 - R^2_i \right)^{-1} \]

Where: \( R^2_i \) = the adjusted square of the multiple correlation coefficients
\( X_i \) =the explanatory variable (Xi)

As the adjusted \( R^2 \) getting closer and closer to 1, the VIF approaches infinity. That is as the extent of co linearity increases, the variance of the estimator increases, and in the limit it can become infinity. If there is no co linearity between regresses, the value VIF was be 1. According to the Rule of Thumb, values of VIF greater than 10, is often taken as a signal for the existence of multi-co linearity problem in the model (Gujarati, 1995).

Assumptions
1. Assumption of independence of irrelevant alternatives (IIA): postulate that the inclusion or exclusion of categories does not affect the relative risks associated with the regressors in the remaining categories (Asia’s, 2016).
2. Test of independent variables: with the dependent categories, there would be \( J-1 \)non redundant coefficients associated with each independent variables \( x_k \).

The hypothesis that \( x_k \) doesn’t affect the dependent variable can be written as:
\[ H_0: \beta_{1k} = \beta_{2k} = \ldots = \beta_{Jk} \]  

where \( \beta_{1k}, \beta_{2k}, \ldots, \beta_{Jk} \) are parameters of 1, 2, ------, \( J \) categories relative to the base group (Freese and Long, 2000).

Having the above, the model can simultaneously estimates the following binary logit models among all pairs of outcome categories.
\[ \ln \pi_{2i} = \beta_02 + \beta_12 \ x_1 + \beta_12 \ x_2 + \ldots + \beta_{142} x_{14} \]  

(3)
\[ \ln \pi_{3i} = \beta_03 + \beta_13 \ x_1 + \beta_13 \ x_2 + \ldots + \beta_{20} x_{20} \]  

(4) Where \( (\beta_02, \beta_12, \ldots, \beta_{20} \text{ and } \beta_03, \beta_{13}, \ldots, \beta_{25}) \) were parameters of outcome categories of pay on time relative to defaulter clients whereas \( (x_1, x_2, \ldots, x_{25}) \) are independent variables in the above outcome categories.

Specification and Measurement of Variables
Generally, the variables that are considered in the study displayed in detail as follows:
Dependent variables: variable (loan repayment performance) measured in terms of pay on time (non defaulter) and defaulter:

Independent (explanatory) variables
**Age =X1**: It is how old the borrower was and assume to have negative or positive relation due to the assumption that as age of borrowers increased, the probability that could decrease physical labor and smartness lead to low business performance. On the other hand, as age increases adopted different challenges hence manageability in business also increase then could be on time payer.
Sex =X2:- It was expected that male could pay on time hence and higher probability to calculate credit risk because work of most large agricultural investment found in desert area needs strong commitment and females even though inspiration of achieving efficiently, however care for family affection attention reduces the operations.

Education level =X3: level of education from unable to read and write and to Ph.D. and expected to have negative relation with loan default and delinquency. Because, as the borrower more education, more knowledge to run business could be acquired.

Training =X4:- it is the number of trainings or conferences that the owner skilled, especially concerning to running a business. The one, who participated many times in training or workshops, could easily manage projects and become problem solver at the time of bad business condition, and hence it leads to project successes.

Business experience =X5:-it is the number of years that owner engaged in running the business and expected to have negative impact on default but positively affect repayment on time. Borrowers, who have more experience in similar or related economic activity, may know how to achieve the repayment normally and with in terms and conditions.

Loan perception =X6:- borrowers consider the development bank of Ethiopia source of capital from donors then less commitment to repay the loans for intended purposes and finally expected being loan default high otherwise borrowers high awareness of utilizing loans effectively and efficiently the cost.

Source of equity =X7:- borrowers consider raise fund from informal lender and after approval and disbursement settle the raised amount fail to implement as per scheduled finally expected being loan default. Incase from their generated source the probability of pay on time high.

Economic Sector=X8:- It is business type in which the loan has requested by the promoter. It may be agricultural production of commercial farm, Agro processing or manufacturing. It was assumed that developed by irrigation producers were sowing at least two times and more the probability of pay on time more and rain fed predictability of weather conditions expected being default. Thus, industry or manufacturing sector even though the number of industry or manufacturing less in the under case study the possibility of pay on time more than agriculture sector because minimum of three or more repayments annually.

Home distance =X9: -it considers that how much the promoter’s far from residence to their project site. The one who live near more to project site was to be pay on time since it increases probability of project success, who nearly supervise and strict follow up inversely those far away the possibility of loan default high.

Business form =X10: -whether the ownership sole proprietorship or PLC or other business form, the possibility of pay on time more on PLC because the number of association greater than two the possibility of pay on time increase on the other hand the default probability low.

Recruited professional =X11:-whether the project does not recruited professional and general manager to project success and good repayment positively influence otherwise negatively related.

Business income =X12 - it is the amount of income that promoter has gained from business activities. The probability of loan default expected to be less as the income is high and the probability of pay on time would be high as other income of the owner is less the probability of covering from other income become less.

Operational cycle of Loan process=X13: -it is time where customers being screen out and KYC assessments & Credit appraisal analyst and review of credit risk assessment taken fair and within short time. Loan process time cycle would impact on operating successfully & effects for cause of loan default low if inversely applied because of less stratification on service delivery efficiently utilizing become less and the probability of default high.

Market price projection =X14:- it is condition of market on which price and demand for the product would be fluctuated. If the price and demand for product estimated in volume as well as price compared to actual market price production less in the market than projected probability of being loan default be high.
Bad weather condition =X15:- it is also an external factor that the project faces at the time of operation. Bad weather condition reduces yield per ha in case of agriculture effect on net profit whereas good weather condition yield per hectare is relatively better earning net profit the probability of pay on time and default depends on weather conditions.

Shift production =:- X16 borrowers without detail analysis changed projected production for different reasons influence pay on time because the net profit obtained not same possibility of pay on time less .

Follow up =X17:- strong follow enables the promoter to be served technical advice and utilization of fund for intended purposes protect to enter the bad loan or enhance pay on time.

Critical rating model of appraisal =X18:- lack of adequate data or commodity study of specific project appraisal influence pay on time if inversely applied the possibility of loan default high.

Disbursement activity =X19:- scheduling disbursement as per the nature and sequence of activity planned implementation successfully completed and pay on time inversely if scheduled not activity based obstacle or fail under implementation impacts on pay on time as per promised contract as result fail implementation and not pay on time.

Reason for Disbursement dalliance =X20:- Disbursement activity not as per sequence activity or when the crop calendar passed or for different reason effected influence pay on time and the possibility of loan default high.

Measure taken after follow up =X21:- lack of adequate data or commodity study of specific project appraisal influence pay on time if inversely applied the possibility of loan default high.

Loan size =X22:-large size loan approving loan or financing possibility of being loan stressed or diversion of loan for unintended purpose high if size of loan small size easily manageable the possibility of pay on time high.

Capital registration system =23- problem of Capital registration and licensing system Without detail investigation of potential investor verification not undertaken incapable person or other business form merely help for bank arrangement misleads credit approving considered as Credit worthy impact on implementation of pay on time.

Revenue projected versus actual income obtained =24- projected revenue if market price and yield production not similar with data availed and quality of the data less accuracy high gap in income obtained impact of loan pay on time minimum as a result being default.

Political in stability: - X=25 previous years political instability affect operation as well as marketing properly directly influence repayment performance of pay on time

Discussion of research Results
Borrower Related factors

Results of the respondents with reference to loan repayment performance of descriptive frequency analysis of cross tabulation, percentage, mean, maximum and minimum, variance etc in detail shown. The result of descriptive frequency gender respondents indicated that about 91.7 percent were male, only 8.3% female that were less percent of the respondents. The result of cross tabulation of independent variable male percentage with in sex of dependent variable measurement of pay on time were 46.7% and defaulter 45% , percentage of female with in sex of pay on time were 20% and defaulter 80%.

Table 4.2.1. The Result of frequency and percentage of independent variable of Sex
The result of respondents mean age was 38 years standard deviation result were7.40 standard error mean 0.436. The results of descriptive frequency analysis of respondent of Educational level of the respondents were territory 21.7%, Secondary school 48.3%, elementary 25.8%, & unlettered 4.2%, with the mean of 1.87 and standard deviation of 0.795. The result of cross tabulation of respondents indicated that from Territory educational level 34.6% Non-default and 65.4% not pay on time, Secondary School 46.5% pay on time, and 53.5% not pay on time. Primary school 61.3% pay on time whereas 38.7% not pay on time and unlettered level 60% pay on time, and 40% not pay on time.

The Result of description frequency of loan perception of the client indicated that the number of respondents replied that loan perception were well done from borrower side were 20%, 16.7% of were respondents replied no attention given for pay on time as per promised loan contract and belief that source of fund donors and from government budget, 55% were respondents replied that lack of awareness and more focus for benefit of short time cash generating rather than focus on implementation of Socio economic benefit and creation of employment purpose, 8.3% of respondents replied that loan perception well done however, for uncontrollable factors unable to perform pay on time. Out of default category informed awareness and pay on time were 91.7% & 8.3% were even if awareness set up done not pay on time, out of respondents loan perception problem source of fund from donors less commitment pay on time were 35% and not pay on time were 65%, respondents replied advise not served, however pay on time were 33.3% and 66.7% were advised not served properly not pay on time. The result of respondents replied that awareness exhaustively made for uncontrollable reason not able to pay on time 30% and 70% were critically served loan perception however, attention given pay on time.
### Business Related characteristics

Results of Business related explanatory variables descriptive frequency analysis were 85% of respondents replied that legal form of business Sole proprietorship and 15% of respondents replied that legal form of business were private limited company. Out of sole proprietorships form of business 51% respondents were pay on time and 49% of sole proprietorships’ were default category, other business for private limited company’s 33.3% respondents were pay on time and 66.7% were not pay on time.

### Lender Side related Variables (Issues from lender perspective)

The result of descriptive analysis frequency of institutional or lender side variables indicated that operational service delivering system respondents replied that the time cycle is fair and with in standard of project financing, work done were 59.2%. On contrary respondents replied that the service delivery system long time and rework rate high were 40.8%. From Cross tabulation result percentage of cycle time fair responded pay on time were 76.1% and 23.9% were responded not pay on time. From respondents of percentage replied 40.8% long time taken during processing were 8.2% pay on time and remaining 91.8% were not pay on time.

#### Business related variables correlations

<table>
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<tr>
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<th>An assessment of loan repayment performance and its determinants</th>
<th>Economic Sector of the project</th>
<th>Distance of Home residence</th>
<th>professional recruited for the specific required project</th>
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<td>&lt;0.001</td>
<td>&lt;0.001</td>
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<td>120</td>
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<td>120</td>
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<tr>
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<td>120</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>Distance of Home residence</td>
<td>Pearson Correlation = 0.348</td>
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<td>120</td>
<td>120</td>
<td>120</td>
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<tr>
<td>Does professional recruited for the specific required project</td>
<td>Pearson Correlation = 0.572</td>
<td>-0.218</td>
<td>0.294</td>
<td>1</td>
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<td>Sig. (2-tailed)</td>
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<td>&lt;0.001</td>
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<tr>
<td>N</td>
<td>120</td>
<td>120</td>
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</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2-tailed).
Loan utilization related variables

The Pearson correlation test was also conducted for dependent variables assessments of net revenue gain in The pears correlation test between projected revenue versus revenue realized on the ground and dependent variable of loan repayment performance results indicated was (r=0.891 with p value <0.05) positively influence loan repayment performance and an association was strong and significant. The pears correlation test for dependent variable determinants of loan repayment performance and loan size(r=0.186 with p value <0.05) which was correlated and significant though correlations weak positively. As it is indicated in the table, there was a significant positive correlation between determinants of loan repayment performance and last year net gain amount of revenue that indicated that (r=0.938 with value <0.05) which was highly associated with determinants of loan repayment performance or the dimension of net gain of revenue of last track years strongly correlated with dependent variable.

The result of correlations conducted for dependent variable indicated that shifting crop production results that there were significant positive association between determinants of loan repayment performance and shifting production (r=0.865 with p value <0.01) which was significant and strong association.

Model Summary

<table>
<thead>
<tr>
<th>Step</th>
<th>2 Log likelihood</th>
<th>Cox &amp; Snell R Square</th>
<th>Nagelkerke R Square</th>
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<td>.642</td>
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</table>

a. Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.

Variables in the Equation

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>S.E.</th>
<th>Wald</th>
<th>df</th>
<th>Sig.</th>
<th>Exp(B)</th>
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<td>.017</td>
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<td>.002</td>
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<td>.412</td>
<td>18.775</td>
</tr>
</tbody>
</table>

Variable(s) entered on step 1: utilpro, opertime, disburallo, deladis, Supervision, metsup.

Other Major Problems expressed by respondents

Additional responses collected from respondents on other major problems which were challenges during credit service delivery system provided as well as during implementation and operation of the project. Because of listed factors, such as,

- majority of the respondents’ replied that political instability in the region for the last two years impact on production as well as implementation utilization of the loan bad weather condition, yield reduction and price fluctuation impact on net profit.
- Amendments of monetary controlling system the governed policy change at different times impact pay on time for instance because as per the national bank directive large scale classification based on registered capital above 7.5 million entertained in project financing assuming that additional loan or expansion of existing job difficult so instead of pay the debt for certain periods revolving the money for working capital even if interest counts better later settle debts.
- When customer were un able to purchase insurance for fixed asset as well as crop insurance and other purchase of insurance for risk transfer case especially when not able to settled
premium the bank pay an amount added to balance of loan which in turn indicate the age of status payment become from normal installment basis accelerate the age of loan payment status enter non performing or bad debts.

- Impact of exit and entry of PLC members on managing the project as well as debt settlement performance, not recruited professional for envisaged production.
- Even if casual workers particularly during the time of harvesting, weeding and sowing are very important in unavailability of labor, especially farm located in site where road inaccessibility lack of bridge to cross river for transporting wages and associated factors.
- The government Special development program that from where the investor displaced like sugar factory of didesa and finca diversification of integrated project and partial Nekemte district catchment area of dam project. Thus Listed points were major problem and bottlenecks’ hinders to achieve the scheduled promised contract to pay on time, speeded up entered non performing loan.

Closing Thoughts

The result of the study indicated that development bank of Ethiopia and other related financial institutions enabling to consider directions for good risk quantification and improving not only focus attention of lending condition rather improvement for commissioned successfully projects and enhance collection of loan repayment.

- Though the bank credit risk modeling parameter assess the customer equity terraced from bank statements and capital registered on trade license so no way of guaranteed the statement of bank movement belongs to him or source of equity depicted from his/her own business. Therefore, Financial position provider data agency enterprise should established under case study, the confirmed potential investor from capital registration organ of state offices whether his/her source of raising equity capital determination difficult so may easily raise fund from informal lender by collateral pledged method. So difficult to determine eligibility of creditworthiness of potential investor from bank statement and capital registered in the business license though not critically evaluated just for bank credit arrangement registered and impact on pay on time.

- On the side of business related factors, the business form of case study is large share of agricultural financing since agriculture is predictability to whether condition and the risk level high without external collateral held because collateral is project itself. It is better to enhance other economic sector like manufacturing, industry, mining and construction industry financing scheme encouraging to increase share of sector.

- Recruiting professional is significant for smooth operation of the project management and for success of project as well as to achieve the management of loan repayment performance as per the promised contract.

- During pre credit risk assessments documents, and also the sample test result of soil laboratory reported as fertile soil for intended crop type favorable and recommended. After financed the working capital and other investment cost and reported on the same site infertility known. the effect of soil acidity required treatments’ these indicated that the gap of soil sample laboratory sample taken irresponsible decision making challenging the Bank.

- Strict follow up undertaking method enhanced and implementation after follow up strongly addressed on time.

References


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