FACTORS AFFECTING CREDIT SETTLEMENT PERFORMANCE OF OMO MICRO FINANCE: CASE OF MASHA DISTRICT, ETHIOPIA

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Abstract: *This study examines various issues affecting credit settlement performance in OMFIs in Ethiopia. The aim of the study was to investigate the consequences of Demographic issues like Age, Sex, Level of education, to find out the causes of poor credit settlement performance and to assess the consequences of various issues like interest rate, supervisory visit and absence of business experience on the credit settlement performance of the study area. From the total population of 19, around 268 representative samples from debtors were selected by using stratified random sampling from debtors by dividing the debtors into two strata, in terms of credit settlement status as defaulters and non-defaulters. In this connection, to meet the specific objectives an investigator obtained both primary and secondary sources of data and analyzed by using both descriptive and inferential method of analysis through a binary logistic regression model. The dependent variable was loan repayment performance and the independent variables were Age, Sex, Level of Education, Loan utilization scheme, Absence of additional source of Income, Interest rate, Absence of Business Experience, Supervisor visit and Inflation. Based on the findings, the investigator mention that it is vital to reduce credit settlement issues and improve credit settlement performance of debto4rs in the study area by providing proper continuous supervision, decreasing interest rate as much as possible to reducing the probability of loan utilization for unintended purpose and technical support for on profitable business activities.*
Keywords: Micro-finance Institution, Loan Repayment, Defaulters and Non-defaulters

Introduction

Micro and Small-scale Enterprises play a significant role in financial and social activities of the people and it concentrates other monetary services like savings, insurance, investment, provision of small credit, and other facilities to the weaker sections of the community that are excluded by the banking sectors for collateral and other reasons. Micro Finance Institutions (MFIs) are bankers and lenders who provide microfinance services, such as deposits, loans, payment services, money transfers, and insurance in order to alleviate poverty among vulnerable society.

In developing country like Ethiopia, most of the people are living poverty because they have lack of access to avail external finance and Microfinance is a new concept in Ethiopia and

came to existence during 1994-1995 with the government's supports and supervision of microfinance institutions (Bayeh2012 and Tolosa 2014).

The main objectives of MFIs are offers support to the lower sections of society, motivate rural entrepreneurship and create self-employment among youth, adapting effective strategy to eradicate poverty, ensure financial inclusion and improvise the skill set among rural people and also to empowering women (Bayeh (2012) and Tolosa (2014). Hence, in order to accomplish all these objectives, the credit settlement performance is important to make sure that the MFIs operate on a sustainable basis nevertheless, the chance that a microfinance institution (MFI) may not receive its money back from borrowers is the most common and often the most serious vulnerability in a microfinance institution (Warue, 2012).

The borrowers of MFI clearly stated that external threats such as poor demand for client's products, livestock disease outbreak, and bad climate condition and many other factors that create volatility in small credit selection quality, heightening the importance of controlling credit risk. In this regard, MFIs essential a monitoring system that highlights settlement issues clearly and quickly, so that concerned authority should concentrate credit settlement rate before it gets out of hand Tundui C. and Tundui H (2013).

According to Aja (2004) in lending services, non-repayment of credit is the disappointment to pay back a loan. Poor credit settlement in developing countries has become a major issue in agricultural credit administration; which has limited collateral capabilities and also the loan default problem has had tragic effects leading to systems failure in the implementation of appropriate lending strategies and credible credit policies discourages the financial institutions from refinancing the defaulting members, which pits the defaulters in a vicious cycle of low productivity.

Hence, a complete examination of various issues of credit non-payment is necessary for both the policymakers and the lending institutions. MFI provide credit assistance to the rural society based on the agricultural activity but beneficiaries were unbale to repay their credit to the institutions due to various factors. Hence, the present study was attempted to find out and examine various issues affecting credit settlement in OMFIs in Ethiopia.

Statement of the Problem

Microfinance institutions play a vital role for alleviating poverty and employment, through the giving financial assistance and rendering valuable services to the weaker sections of the community (Fikirte, 2011). Active settlement performance of credit institution is essential to do valuable service for large poor people sustainability rather than government supports.

The continuous development of microfinance institutions depends largely on their ability to collect their credit efficiently and effectively as much as possible. According to Godquin (2004) MFIs must reach at the position of high repayment rate which benefits both MFIs and the borrowers. Every microfinance institution tries to maximize its repayment performance and improving the repayment rate which helps to reduce the dependence of the MFIs on subsidies, which would improve sustainability.

Nevertheless, the performance of the MFIs in Ethiopia has been remarkable since their establishment; they are not free from non-repayment problems. Credit non-repayment is influenced by certain factors in certain situations. Therefore, it is essential to assess MFIs to manipulate their credit programs for the better.

Factors affecting loan repayments performance-related issues like Age, sex, Absence of additional source of income, Loan utilization scheme, inflation and Absence of business experience were not exhaustively examined in Ethiopia. Therefore, as per the researcher's perspective, there was limited research conducted previously on similar topic of Factors affecting credit settlement performance in Masha Woreda, to give a broader view of the sustainability of OMFIs.

As per the statistical data of OMO Micro Finance office estimated that the loan amounted to Birr 3.4 billion was defaulted as SNNPR regional level and as well as in Sheka zone level loan amounted to Birr 37 million as defaulted. Hence based on these problems the researcher conducted the research on OMFI to address the observed problem in relation to loan repayment performance.

Objective of the Study

The universal objective was to evaluate Various issues Affecting Credit Settlement performance of OMFIs the case of Masha woreda, Ethiopia

Specific Objectives

1. To examine the effect of Demographic issues like age, Sex and education, on the Credit Settlement performance of selected MFI;

2. To identify the causes of poor credit settlement performance of OMO Micro finance institution; and

3. To assess the effect of various issues like interest rate, supervisory visit and absence of business experience on the credit settlement performance.

Significance of the Study

The ultimate aim of this study was to evaluate the various issues which affecting the credit settlement performance of OMFI: case of Sheka Zone Masha Woreda. The present study may help the policy makers, stakeholder of the micro finance institution and administrators to understand the effect and cause of loan repayment performance during the study period. The results and recommendations would help to the concerned institution to frame appropriate strategy to recover all default amounts from the beneficiary. Finally, this research can support for the researcher who is interested to pursue future study.

Scope of the Study

The present study investigates to OMFI and their debtors Masha woreda. The sample was selected from debtors of Micro finance Institution and appropriate information was obtained and analyzed for those sample debtors of the OMFI. Similarly, the researcher was intending to use five years' secondary data from the year 2018 to 2022 and methodologically the study adopted mixed method of data collection and Binary Logistic Regression analysis.

Limitation of the Study

The present study has certain limitations during data collections i.e., respondents were not interested to give appropriate answers to certain query negligence due to their work load and shortage of time. In addition to these, there were limitations like shortage of time and budget. Therefore, the researcher disseminates the benefits and build cordial relationship with the respondents in order to get valid information.

Review of Related Literature

The researcher reviewd related literature on loan repayment performance of micro finance institutions were as follows.

Sylvester (2013) assessed the determinants of loan repayment performance. The educational level coefficient had a positive sign indicating that education has a direct relationship with repayment rate, as the level of education increases; borrowers enhance their ability to access, evaluate, and understand new production techniques so this underpins the assertion that educated farmers are more amenable to risk-taking and change than the non-educated ones. The higher the literacy level of the clients, the higher will likely be non-default.

Olagunju and Adeyemo(2007) in their research entitile "Factors that determine loan repayment decisions among farmers in Southwestern Nigeria". The data from 180 respondents were collected through a multistage sampling technique and regression result showed that education as important factors in determining loan repayment and reducing loan

default.

Jemal, A. (2003), also indicated on his study entitled "Microfinance and Loan Repayment Performance: A Case Study of The Oromia Credit and Savings Share Company In Kuyu" indicated that, an education was an important and significant factor that enhances the loan repayment performance.

Million (2012), conducted a study on the "Factors affecting loan repayment performance that education is an important determinant of loan repayment so that an educated client can use modern technologies, perform farming activities based on the cropping calendar, and manage resources properly. All these factors boost production, which improves loan repayment.

Abafita (2003) conducted a study entitled "Factor that influence microfinance and loan repayment performance with particular reference to the Oromia Credit and Savings Share Company in Kuyu" and finding shows that education is important and significant factors that enhance loan repayment performance and also found that the more youngsters the age of the borrowers the less the repayment recovery rates achieved by the lending institutes; that means the more the aged group borrowers can take the responsibility of being liable and creditworthy than that of the youngsters.

Tolosa (2014), in his research entitled "Performance of loan repayment determinants in Ethiopia micro finance" An analysis states that age have negatively and significantly influencing loan repayment at a significant level. A unit increase in the respondents' age decreases the probability of being a defaulter this implies that through time aged respondents acquire experience in business; they became settled and accumulate more wealth than youngsters.

Kibrom (2010) in his research entitled "Determinants of successful loan repayment performance of private borrowers in development bank of Ethiopia". An analysis states that educational level of the borrowers, repayment period of the loan, availability of other source of income, and purpose of the loan determine successful loan repayment performance of the borrowers positively and significantly.

Muluken (2014), in his thesis entitled "Assessment of Factors Affecting the Performance of Microfinance Institutions: The Case of Hawassa City". An analysis describes that, the identified factors related to clients includes diversion of loan into non income generating activities and business condition of the borrowers affect the performance of microfinance institution.

Akalewold et.Al.(2019) conducted a study on the "Factors affecting loan repayment performance of microfinance institution borrowers: The Case of Wondo Genet Woreda". the finding shows that education level, sex, borrowing experience are major factors that affect the loan repayment performance.

Tenishu (2014), in his research entitled "Microfinance Credit Rationing and Loan Repayment Performance: A Case of Omo Microfinance Konso". An analysis stated that education, income and loan supervision were significant factors that enhance the loan repayment performance, while use of loan for un- intended purpose was found to be significantly increases loan default. In addition, female borrowers were found better in terms of loan repayment.

Research Design

Research design is the blueprint for fulfilling research objectives and answering research questions. In other words, it is a master plan specifying the methods and procedures for collecting and analyzing the needed information. Among the various types of research designs both Descriptive and Explanatory research design was adopted for this study as an appropriate design based on the objectives of the research. Descriptive research includes surveys and fact-finding enquiries of different kinds.

Explanatory research describes phenomena and attempts to explain why behavior is the way it is. In other words, it enables us to understand the very nature of what we are actually looking at. Thus, the study has an objective of explaining the relationship between the dependent and independent variables and also explanatory research design was adopted in this study.

Research Approach

The researcher used both qualitative and quantitative approach (mixed approach) in collecting and analyzing data. Mixed methods approach is the blend of both qualitative and quantitative approaches. Qualitative approach attempts to get an in-depth opinion from respondents. For quantitative data is descriptive statistical method such as frequency and percentage method were used. The questionnaire was structured in a way that reflects the major issues that addressed to answer the research questions. Research carries out by scholar's referred to and other sources were used to gather information.

Types and Sources of Data

There are two types of data sources, which can be considered for research purpose. These data sources include primary and secondary data. Both the primary and secondary data was used in this study. Primary data was used to collect information from individual borrowers who have assumed to be Loan defaulters and non-defaulters of Masha woreda OMFI. The secondary data was used mainly on data sources like Proclamations, annual reports, statistical reports, research documents, lending policy manuals, ledger cards and other related publications of OMFI.

Population of the Study

Population is the whole groups of individuals, things that the research aims to generalize results on. In Masha woreda there were 19 rural kebeles, of which 6 (31%) representatives and having high loan defaulted kebeles were selected based on previous need assessment or preliminary study made to Masha woreda OMFI. The populations for this study were borrowers of 6 selected representative kebeles of Masha woreda OMFI of Masha branch. The number of borrowers' data was collected from borrower profile of the institutions. The borrowers were classified as defaulter and non-defaulter. Currently, the selected kebeles have 819 borrowers. Hence, the total populations of the study were 819 borrowers.

Sample Design

The study used stratified sampling technique in order to select the representative's borrowers, following the method of proportional allocation under which the sizes of the samples from different strata were relatively kept proportional to the sizes of the strata. The sample for this study consists of defaulter and non-defaulter loan beneficiaries responding to the questionnaires. As per loan list survey, out of total 819 borrowers, 472 borrowers were defaulter and 347 were non-defaulter borrowers. To develop the sampling size, lists of borrowers were acquired from the entire six rural kebele borrowers profile list. Representative sample were selected from the total borrowers by using stratified sampling technique dividing the borrowers (population) in to two strata, in terms of loan payment status as defaulters and non-defaulters.

Sample Size Determination

In order to select the sample size of total population, the researcher used the scientific formula (Yamane, 1967) to determine the sample population.
This scientific formula is used to maximize the proportional representativeness of randomly selected samples, eliminates sample bias and gives equal chance to every individual and also it maximizes the reliability of the evidences or data collected (Yamane 1967). Out of the 819 borrowers', 268 borrowers were selected by using the scientific formula developed by

Yamane 1967.

$$n = N / [1+N (e)^2]$$

Where: n – Sample size

N – Population

E – Error - 5%

$$n = 819 / [1+819 (0.05)^2] = 268$$

Methods of Data Collection

The study with the aim of assessing factors affecting Loan repayment performance in the case of OMFI Masha woreda was used collection and analysis of primary and secondary data. The secondary data was collected from the credit ledger and different manuals of the OMFI. Whereas the primary data was collected from individual borrowers with the help of 6 local interviewers, one for each kebele, in addition to that researcher conducted face-to-face surveys.

Methods of Data Analysis

Data analysis was done after all the relevant data was gathered from the respondents. The collected data was edited, coded and entered into a computer and processed by SPSS Version 21. The study used both descriptive and empirical analysis. For descriptive analysis the researcher used frequency and percentage for the empirical analysis the study used binary logistic regression model, which deals with factors affecting loan repayment performance in total of 9 explanatory variables included in this study.

Discussion and Results

This part mainly focus on discussion and results of the study and the results may broadly categorized into two elements namely descriptive outcomes as well as Logit regression analysis results.

Descriptive Analysis outcomes

A total of 268 questionnaires, 155 were circulated to defaulter respondents and the rest 113 were circulated to non-defaulter respondents. Nevertheless; the survey response was collected from 151 defaulters and 109 non- defaulters totally from 260 survey respondents were collected due to their workload as well as negligence.

Table 1: Sex wise classification

S. No	Sex	Characteristics of respondents		Number of Respondents	Percentage
		Defaulter	Non-Defaulter		
1	Male	151	59	210	80.77
2	Female	0	50	50	19.23
Total		151	109	260	100

Source: survey data, 2022

The above table 1 reveals as sex composition, out of that nearly 50(19.2%) of the respondents belongs to female category, whereas, 210(80.8%) of them coming to male category. The proportion of defaulters was 0(0%) for females, whereas, 151(100%) for male counter parts. This indicates that female having good repayment performance compared to male.

Table 2: Age wise classification

S. No	Age	Number of Respondents	Percentage
1	25-35	84	32.30
2	35-45	25	9.6
3	45-55	151	58.1
		260	100
Total			

Source: survey data, 2022

As the above table 2, portrays that a significant portion of them (58.1 percent) belongs to the age between 45-55 years, Nealy 32.3 percent of them coming to the age between 25-35 years and the rest 9.6 percent were between the age categories of 35-45 years. The study clearly indicated that more than half of the respondents were coming under the age category between 45-55. It shows credit has been provided to required beneficiaries rather than younger generation.

Table 3: Educational Status

S.NO	Educational level	Number of Respondents	Percentage
1	Illiterate	165	63.50
2	1-4	11	4.20
3	5-6	31	11.90
4	9-12	19	7.30
5	Diploma	34	13.10
	Total	260	100

Source: survey data, 2022

The above table 3, with regard educational level, 63.5 percent of respondents were illiterate, 11.9 percent were 5th to 8th Grade, 7.3 percent were 9th to 12th Grade and the rest 4.2 percent were Grade 1 to 4th Grade. The study concludes that, a significant (64.5%) portion of the respondent's educational level were illiterate, so MFI should arrange special campaign for those beneficiaries to upgrade their standard of education.

Table 4: Occupational patterns of respondents

S. No	Occupational pattern	Number of Respondents	Percentage
1	Government Employee	15	5.80
2	Private Employee	35	13.40
3	Agricultural Farmer	210	80.80
	Total	260	100

Source: survey data, 2022

When we look at the occupation of the respondents, most of (80.8 percent) of the respondent's Agricultural former, 13.40 percent were Private employee and 5.8 percent were Government employee. The study understood that, majority of the respondent's occupational patterns were agricultural farmer. It shows the MFI were providing credit access for farmers rather than unemployed youth in the study area. Hence, MFI should provide credit access for the appropriate persons.

Table 5: Respondents opinion about loan utilization

S. No	Purpose of loan Utilization	Numbers of Respondents	Percentage
1	Establish Business Venture	59	27.70
2	Expansion of existing business	13	5.0
3	Construction of house	37	14.20
4	Children's Education	151	58.10
	Total	260	100

Source: survey data, 2022

The above table 5 illustrate that most of (58.1%) of them stated as their loan has been utilized for Children's Education, 22.7% of them stated to establish a business venture, 14.2% of them stated as their loan has utilized for construction of house and the rest 5% of them stated as their loan has been utilized for expansion of existing business. From this it is possible to conclude that majority of the loan users or creditors of Masha woreda OMFIs were utilized their loan for unintended purpose.

Table 6: Respondents Response on income from Business

S. No	Income category	Number of Respondents	Percentage
1	500-1000	150	57.70
2	1001-2000	59	22.70
3	2001-3000	51	19.6
	Total	260	100

Source: survey data, 2022

The survey result in above table 6 showed that majority (57.7%) of them clearly stated as their income from the business was ETB500-1000, 22.7% of them stated as their income

from the business was ETB 1001-2000 and the rest 19.6% of them stated as their income from the business was ETB 2001-3000. Similarly, 80.8% of them expressed as they have no additional income other than loan-based business, 19.2% of them stated as they have additional income other than loan-based business. Out of 50 respondents a significant quantity of respondents (66%) stated that they have received additional income between 500-1000 ETB and the rest of them received income between 1000-2000ETB. The study concludes that the beneficiaries were venerable to generate additional income from the loan-based business.

Table 7 : Opinions of the beneficiaries on loan repayments

S.No	Opinions	Numbers of Respondents	Percentage
1	Yes	50	19.20
2	No	210	80.80
	Total	260	100

Source: survey data, 2022

The above table 7 illustrate that a significant portion (80.8%) of the respondents opined that as they were not repaying their loan amount to OMFI regularly and the rest 19.2% of them stated as they were repaying their loan amount to OMFI regularly. Out of 210 respondents, majority of the respondents (83.8%) stated that they were not utilized their loan properly and the rest of them (16.2%) stated as they were mainly used for family expenditure rather than intended purpose. The study understood that loan amount was not properly used by the beneficiaries. Hence, MFI should provide necessary awareness.

Table 8: Respondents opinion on saving habit

S. No	Opinions	Number of Respondents	Percentage
1	Yes	63	24.2
2	No	197	75.8
	Total	260	100

Source: survey data, 2022

The above table 8 portrays that a significant portion of the respondents (75.8%) clearly opined as they do not have the habit of saving, 24.2% of the survey respondents stated as they do have the habit of saving. Out of 63 respondents, a significant portion (80.95) of the respondents mandatorily keeps their money in the deposit collected by MFI, the rest of them have saved their money in the bank as the fixed deposit. The study concludes that most of the beneficiaries in the study area do not have the habit of savings and which leads to poor repayment. Hence, MFI authorities inculcate the habit of savings among the beneficiaries through awareness program.

Table 9: Opinions of the Respondents about interest rate charged by MFI

S. No	Opinions	Numbers of Respondents	Percentage
1	Yes	210	80.80
2	No	50	19.2
	Total	260	100

Source: survey data, 2022

The above table 9 indicates with regard to interest rate charged by OMFI, majority (80.76%) of the respondents were agreed as it was high and the rest 19.23% of the respondents stated as it was not high. Out of 210 respondents, more than 75% of them stated as there was no competition of similar organization existed in the study area, the remaining 23.80% of the beneficiaries stated as there was heavy demand for the money. Therefore, the study inferred that more than one fourth of the respondents agreed as MFI has charged high rate of interest compered to financial institutions existed in Ethiopia.

Table 10: Opinions about interest paid by respondents

S. No	Opinions	Numbers of Respondents	Percentage
1	10-15%	235	90.40
2	Above 15%	25	9.60
	Total	260	100

Source: survey data, 2022

The above table 10 illustrate with respect to the rate of interest paid by the creditor to their loan, majority of the respondents (90.4%) stated as they paid between 10% to 15% and nearly 9.6% stated as above 15%. In addition to that OMFI officials were asked about the interest rate paid by the creditor to their loan and the officials replied as based on the institution rules and regulations, the interest rate charged on loan for creditor was 14% and 15% for agricultural females & male respectively and 18% was charged for traders. In addition to that 91.2% of them unanimously agreed that the high rate of Interest which influences credit settlement performance and remaining 8.8% of them were not agreed that high rate of interest do not influence on credit settlement performance. The study inferred that the interest rate charged by OMFI was 10% to 15% so it leads to influence the Credit settlement of the beneficiaries.

Table 11: Opinions of the respondent's on their Business success

S. No	Opinions	Numbers of Respondents	Percentage
1	Yes	36	13.80
2	No	224	86.20
	Total	260	100

Source: survey data, 2022

The above table 11 portrays that a significant quantity of the beneficiaries (86.2%) openly stated as their business was not success, nearly 13.8% of them opined that they have succeeded their business. Moreover, out of 224 respondents more than three forth of the respondents 174 (77.6 %) stated as their business has been failure due to unviable project idea selected, nearly 16.7% of them stated as their lack of skill for their unsuccessful of business, only 5.7% of them opined that expenditure was greater than income of the business. Therefore, the study concludes that most of the beneficiaries were not success their business which leads to poor repayment their loan to MFI.

Major Finding

The following are the important findings:

With regards to Sex, 50(19.2%) of them belongs to female, whereas, 210(80.8%) of them belongs to male. The was no defaulters 0(0%) for females' respondents, whereas, 151(100%) for male counter parts.

With regard to age, a significant portion of them (58.1 percent) belongs to the age between 45-55 years, Nealy 32.3 percent of them coming to the age between 25-35 years and the rest 9.6 percent were between the age categories of 35-45 years. The study clearly indicated that more than half of the respondents were coming under the age category between 45-55. It shows credit has been provided to required beneficiaries rather than younger generation.

With regard to occupation, most of the respondent's (80.8 percent) belongs to Agricultural former, 13.40 percent were Private employee and 5.8 percent were Government employee. The study under stood that, majority of the respondent's occupational patterns were agricultural farmer. It shows the MFI were providing credit access for farmers rather than unemployed youth in the study area.

Regarding to the educational level, 63.5 percent of respondents were illiterate, 11.9 percent were 5th to 8th Grade, 7.3 percent were 9th to 12th Grade and the rest 4.2 percent were Grade 1 to 4th Grade. This shows that, a significant (64.5%) portion of the respondent's educational level were illiterate, so MFI should arrange special campaign for those beneficiaries to upgrade their standard of education.

Regarding credit utilization, most of them (58.1%) stated as their loan has been utilized for Children's Education, 22.7% of them stated to establish a business venture, 14.2% of them stated as their loan has been utilized for construction of house and the rest 5% of them stated as their loan has been utilized for expansion of existing business. This shows that, majority of the loan users or creditors of Masha woreda OMFIs were utilized their loan for unintended

purpose.

In relation to income, majority (57.7%) of them stated as their income from the business was ETB500-1000, 22.7% of them stated as their income from the business was ETB 1001-2000 and the rest 19.6% of them stated as their income from the business was ETB 2001-3000. Similarly, out of total respondents, 80.8% of them sated as they have no additional income other than loan-based business, 19.2% of them stated as they have additional income other than loan-based business. To summarize that, the beneficiaries were venerable to generate additional income from the loan-based business.

In addition to that a Significant of the respondents (80.8%) were stated as they were not repaying their loan amount to OMFI regularly and the rest 19.2% of them stated as they were repaying their loan amount to OMFI regularly. Out of 210 respondents, majority of the respondents (83.8%) stated that they were not utilized their loan properly and the rest of them (16.2%) stated as they were mainly used for family expenditure rather than intended purpose.

With regards to habit of saving, majority of them (75.8%) clearly stated as they do not have the habit of saving, 24.2% of the survey respondents stated as they do have the habit of saving. With respect to the rate of interest paid by the creditor to their loan, majority of the respondents (90.4%) stated as they paid between 10% - 15% and nearly 9.6% stated as above 15%.

Conclusion

Based on the above summary of the findings, it is possible to conclude that majority of the loan users of Masha woreda OMFIs were males and female having good repayment performance compared to male.

The study clearly specified that more than half of the respondents were belongs under the age category between 45-55. It shows credit has been provided to required beneficiaries rather than younger generation.

The study reveals that, majority of the respondent's (64.5%) educational level were illiterate, so it needs to arrange special campaign for those beneficiaries to upgrade their standard of education. Hence, based on the above findings educational level and business experience can be concluded from the result that, as educational level and business experience of the borrowers increases the riskiness of loan repayment decreases. Especially borrowers with higher educational levels and higher business experience are most likely to become low defaulters. So, there is essential for non-stop regulation on the credit used / utilization so as

to reduce both the issues of using credit for non-indented purpose as wells as lack of skill observed because of large scale of illiteracy, particularly in rural areas. Since most of the creditors were not using their loan according to the intended business purpose, the amount of loan given to become defaulted.

Besides to the occupation, majority of the respondent's occupational patterns were agricultural farmer. It shows the MFI were providing credit access for farmers rather than unemployed youth in the study area.

With respect to loan utilization scheme and income generation way of loan users, it is possible to conclude that majority of the loan users or creditors of Masha woreda OMFIs were utilized their loan for unintended purpose as the result nearly 80% of the loan beneficiaries income from loan based business was below 2000 and they have no additional income other than loan-based business, so that, the beneficiaries were venerable to generate additional income from the loan based and another business.

The study reveals that majority of the loan users were not utilized their loan properly and mainly used for family expenditure rather than intended purpose and similarly, their habit of savings was very poor and which leads to poor repayment. The study understood that loan amount was not properly used by the beneficiaries

Recommendations

• Education levels have a positive effect on credit settlement. The percentage of literate beneficiaries are improved credit settlement than illiterates. The level of formal education of such beneficiaries was not good and they are likely to have inadequate knowledge of credit attainment and management, thereby making them unable to repay the credit, MFIs will provide necessary short as well as long term awareness program to the rural community and also conduct continuous monitoring activities.

• The older aged group has more defaulters as compared to other age categories. It is not recommended to exclude the old aged groups but the institution would give special attention to those borrowers by providing awareness creation training, continuous follow- up and supervision this leads to positive implication for loan repayment in the future.

• Most of OMFI borrowers were male, so the participation of women landing money was less, so the institution should give more concentration to women borrowing activity because it contradicts the one objective of OMFI. The institution give credit to women means the entire family will develop.

- Interest rate of OMFI high based on borrower's intention, and then the institution will give focus on their interest rate percentage with borrower's repayment capacity.

- The researcher clearly mentioned that credit institution will revise credit segment period and interest rate to expand collection because some activities may take more than a year to get the return and other activities will take short period of time. Hence, flexible credit settlement period and interest rate should be fixed in order to recover the existing default rate. Hence, MFIs should concentrate appropriate screening before the credit assistance provided to the beneficiaries.

- Lastly, MFIs should concentrate on credit repayment issues which are mentioned by the beneficiaries and take necessary action. The institution should develop their financial position to meet the internal as well as external issues like to increase the credit amount of borrowers and services and also institution should attempt to increase credit settlement rate of beneficiaries and give the credit on time and expand its services as per the procedures of the institution.

- The researcher recommends that the beneficiaries will develop cordial relationship with credit institution for obtaining further credit and Non-payment beneficiaries face lot of challenges like higher interest rate for outstanding credit which leads to higher balance amount than previous amount borrowed.

- The researcher mentioned that the borrowers should settle their credit in stipulated time and to use their loan for intended purpose only and should the borrowers exercise the habit of saving.

- It is recommended that the government should try to reduce the inflation of the product through surplus production and by providing a frame work of regulatory system on illegal price increase on goods and services.

- The government of Ethiopia will give the procedures to the beneficiaries regarding the credit access and utilization of Micro Finance Institutions.

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