



ST.MARRY UNIVERSITY

BUSINESS FACULTY

DEPARTMENT OF ACCOUNTING

**ASSESSMENT OF CREDIT COLLECTION
MANAGEMENT**

**IN OROMIA CREDIT AND SAVING SHARE
COMPANYSEBETA BRANCH**

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JUNE 2014

SMU

Addis Abeba

AN ASSESSMENT OF CREDIT COLLECTION MANAGEMENT

The Case Of OROMIA CREDIT AND SAVING SHARE COMPANY SEBETA BRANCH

BY

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Declaration

We the under signed student researcher declare the research paper entitled Assessment of Credit management the case of OCSSC is our original work prepared under the guidance of Ato Alula Hailu.

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Abbreviation

AEMFI: Association of Ethiopian Micro Finance Instruction

DA: Development Agency.

DBE: Development Bank of Ethiopia

MFI: Micro Finance Institution

NBE: National Bank of Ethiopia

NGO: Non Governmental Organization

OCSSCO: Oromia Credit and Saving Share Company

OSHO: Oromia Self Help Organization

NO: Number

SCG: Saving and Credit Group

CG: Credit Group

Abstract

This study will be conducted to spotlight credit collection management of OCSSO Sebeta Branch.

Credit management is the backbone of an organization that is built on giving financial services to its clients or customers. Not only would it help organizations to maintain their sustainability but also help keeps their profitability. OCSSCO gives financial services for its customers of which credit is the core one. The study will assess the strength and weaknesses of the company in managing its credit collection.

The source of data will include both primary and secondary method of data collection primary data is going to be collected through questionnaires and interviews; on the other hand the secondary data is going to be collected from strategic plans, Operational manuals of the company reports and others.

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CHAPTER ONE

INTRODUCTION

1.1 Back Ground of the Study

Microfinance is the provision of savings accounts, loans, insurance, money transfers and other banking services to customers that lack access to traditional financial services, usually because of poverty. Making small loans to individuals who lack the necessary resources to secure traditional credit is known as

The beginnings of the microfinance movement are most closely associated with the Economist Muhammed Yunus, who in the early 1970 was a professor in Bangladesh. In the midst of a country-wide famine, he began making small loans to poor families in neighboring villages in an effort to break their cycle of poverty. The experiment was a surprising success, with Yunus receiving timely repayment and observing significant changes in the quality of life for his loan recipients. Unable to self-finance an expansion of his project, he sought governmental assistance, and the Grameen Bank was born. In order to focus on the very poor, the Bank only lent to households owning less than a half-acre of land. Repayment rates remained high, and the Bank began to spread its operations to other regions of the country. In less than a decade, the Bank was operating independently from its governmental founders and was advertising consistent repayment rates of about 98%. In 2006 Yunus was awarded the Nobel Peace Prize.

For some, microfinance is a movement whose object is "a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and transfers. Many of those who promote microfinance generally believe that such access will help poor people out of poverty. For others, microfinance is a way to promote economic development, employment and growth through the support of micro-entrepreneurs and small businesses. In some regions, for example [Southern Africa](#), microfinance is used to describe the supply of financial services to low-income employees, which is closer to the retail finance.

Micro finance is relatively new industry in Ethiopia which arose in the early 1980's after the failure the government delivery of subsidized credit to poor farmers. Micro finance, therefore, come in as the beginning of seeking effective market oriented solutions to the provision of

sustainable and effective financial resource to poor groups of people who do not have access to financial service from formal government and private financial institutions (Zeller and Sharma, 2001). Hence, micro finance emerged as the provision of financial services and financial resources to the poor, low income and active group of people living in both urban and rural areas in general. These groups of people face lack of capital to start up new business or to improve the existing one.

Micro finance service here refers mainly to credit provision and saving mobilization. Some micro finance institutions also offer insurance, salary and pension management and money transfer service. In addition to financial intermediation, many micro financial institutions (MFI) provide other social oriented services; such as group formation, development of self-confidence and training in financial literacy and management capabilities among members. This serves as a conduit for developing the sense of cooperation or team work to campaign on the common enemy that is poverty.

1.2 Background of the Organization

OCSSO is a transformation of Oromia credit and saving schemes development project that was organized and operated under the Oromo self – Help Organization (OSHO)

The scheme was transformed to the company in August 1997 under the proclamation No 40/1996 issued for licensing and supervision of the business of micro – finance. More of this MFIS in the country have been operating in the rural areas OCSSCO is one of in Oromia Regional state.

Oromia credit and saving share company (OCSSCO) have 300 branches from those OCSSCO Sebeta branch is the one.

OCSSCO Sebeta branch has been delivering the credit service to the poor using group guarantee mechanisms (peer pressure) that does not require material collateral. Delivering loan to the poor through peer pressure requires only good character.

The possible impacts expected are:

- Increasing an income and ensuring household food security
- Promoting saving culture

- Alleviating poverty and restoring self – reliance
- Improving social status of the poor

⇒ The credit program norms of OCSSCO Sebeta branch are loan size, loan terms and lending rate. The loan size is the amount of money eligible client takes as loan (credit) in each loan cycle.

The loan terms are established at different levels for different activities with maximum loan period being one year. Example agricultural loans are given for a period one production cycle and paid back at once at the end of the production period.

OCSSCO Sebeta branch is currently financing for agricultural inputs loans, from oxen, petty trade activities, fattening and animal husbandry.

It has to ensure the viability and sustainability of its operations charges 15% AND 10% flat interest rate per annum on it loan for rural and urban respectively.

1.3. Statement of the Problem

At this time countries of the world are giving more attention to their agenda up on the importance of poverty reduction and improvement of the life of the people as a main issue of all development effort. In order to reduce poverty and improve the living standard of the people, Microfinance institution is one of the ways to minimize the problem.

There are factors affecting the role of microfinance institution in poverty reduction .The institution pronounced for countries like Ethiopia where this population have been suffered from absolute poverty (i.e. they have low level of income, lower level of saving habit , high level of unemployment ,high birth and mortality rate , and low access to health facilities , lack of adequate education and infrastructure and also the size of house hold is large etc.) and it is the means to escape from the zone of below poverty line; there a bit achieving sustainable development.

However, this micro finance is miserably getting down due to the problems regarding lack of deployment strategy, institutional support, lack of promptness among the borrowers etc. The phenomenon of Microfinance group reading ,where by borrowers are clubbed into small groups. This groups member typically received sequential loan with out Collateral, who would otherwise

be excluded not only because of the risk default in general but the cause of the difficulties and high transaction cost involved in sorting more and less liable borrowers .What this effectively means is that all the cost and risk of the lending process are transferred from lenders to borrowers.

According to a recent survey of microfinance borrowers in Ghana published by the Center for Financial Inclusion, more than one-third of borrowers surveyed reported struggling to repay their loans. Some resorted to measures such as reducing their food intake or taking children out of school in order to repay microfinance debts that had not proven sufficiently profitable.

In order to alleviate payback problems it needs a strong microfinance institution. To keep the sustainability of this microfinance institution the firms should have strong credit management policies. So far we try to assess the impact of microfinance internationally but when we come to our concern i.e. ocscsco/Oromia credit & saving share company/ they have two mechanisms prior to delivery of loan. First, they screen target poor clients using different criteria and next the company deliver loan and monitor and evaluate this loan delivery and repayment.

.The student researcher tried to look loan repayment trends of Oromia Credit and Saving Share Company. From year 2008/09-2011/12 that was almost 100% customer pay their loan accordingly how ever in 2012/13 the company has collected loan 90% (ocscsco annual report). Therefore, the student research has interested and given more attention for the existing declination of loan repayment and asks the cause of declination and its impact by assessing gaps between Oromia credit and saving share company and the credit customers.

1.3.1 Research Questions

The researcher will raise the following basic questions that should be answered in this course of study.

- What are the major impacts of credit in credit customers?
- Is there a significant relationship of the length of credit period and collection of credit loan repayment?
- Does Oromia Credit and Saving Share Company provide sufficient training to existing customer to credit enough awareness about loan repayment?

- Is there any supervision program to follow up the existing operation of customers and loan repayment as per the rules and regulation of Oromia Credit and Saving Share Company?

1.4. Objective of the Study

1.4.1 General objective: The General objective of this study is to assess the credit collection management of Oromia Credit and Saving Share Company Sebeta Branch.

Specific Objective

The specific objectives of the study are described as follows:

- To assess the major impact of credit in credit customer.
- To identify the significant relationship of the length of credit period and collection of credit loan repayment.
- To assess Oromia credit and saving Share Company provide sufficient training to existing customer to credit enough awareness about loan repayment.
- To determine any supervision program to follow up the existing operation of customer and loan repayment as per the rules and regulation of Oromia Credit and Saving Share Company.

1.5. Significance of the Study

The study on assessment of credit collection management of financial institution will have a vital role, because it provides information that will enable effective measures to be undertaken to improve the credit collection management by the stock holders (employees) of micro financial institution in general and that of OCSSCO Sebeta Branch in Particular. The findings of the study will help OCSSCO to detect the gap and taking immediate measures and corrections and a point of reference for researchers who would like to conduct on this issue.

1.6. Scope of the Study

Due to time and financial constraints, the study would be limited in scope and the student researchers hope that it would obviously difficult and resource consuming to undertake a research at different credit and saving Share Company. Oromia credit and Saving Share Company is selected for ease of manageability of the research and time saving.

More ever the researcher has got information to look for the trends of loan repayment sourced in annual report, during 2008/09-2011/12 that was almost 100% customer pay their duty accordingly how ever in 2012/13 the company has collected loan 90% and inspired to do on the specific loan repayment declination problem and comes with appropriate solution

These parts of the study restricted to short explanation and identification of credit and saving share companies with special reference credit and Saving Oromia credit and Saving Share Company. The student research would not present the definition and explanation for all problems realized with credit and saving system.

The main concern are insufficient training given to their clients, improper follow up of the credit customers operation and inflexible credit period as a result of weak loan repayment for performed due to the above factors that are related to loan.

Eventually, the student research is mainly emphasized to those issue and that are mentioned above in the objective to make clear and manageable.

1.7. Limitation of the Study

The following hindrance is expected obstacles which the researcher will face during the whole process of the study.

- The budget allocated and the time given were insufficient so the sample was so small.
- Most of the customers are not well educated so the researcher faced a problem regarding response of the questioner.
- Considering the poor documentation culture of the country, there was documentation problems throughout investigating details about a specific loan file, particularly referring to previous credit agreement with client.

1.8 Research methodology

The target population of the study are the functional level of employees those who are doing the real work and some credit management who are responsible to make credit policy and credit collection management of OCSSC OF SEBETA branch and clients from customer of OCSSC OF SEBETA . In this study primary data is the basic source for the data gathered the primary data includes questionnaire and interviews. The questioner was given to the employees as well as credit customers. Like the questioner the interviews were held with in the management. Besides, secondary data used to get sample frame of the employees and the list of the clients and other related supportive facts which are more important and reliable to carry out the study so far.

1.9 Research Design

The research method has been employed to undertake the study is descriptive survey type to make the study more informative and used Non-probability judgment sampling method to select representative of Oromia Credit and Saving s.cbranch of Sebeta employees and credit management officers where data collection were employed as to get information .The data is quantitative in nature. This type of analysis also enables to conduct easily understandable and interpretable research. Whereas the credit customers selected to represent total registered credit customer which is found from compressive list of all members of customers (sample frame). The selection criteria implemented based on customers heterogonous characteristics. the student researchers used proportional stratified sampling method to undertake the study

Eventually, It Focus only to accomplish onthe objective of the study of credit collection management of Oromia Credit and saving s.cbranch of Sebeta.

1.9.1 Data collection

Collecting relevant information is the possible method of achieving the objective of the research.. The study examines the credit collection management practice in the organization and client's knowledge, satisfaction and attitude towards credit utilization .The primary data has gathered through questionnaires and interviews which were developed in simple and understandable English which would be represent the population

and enable to conclude the research precisely. In addition, the researcher was prepared secondary data for data collection and literature review so as to reinforce the study.

1.9.2 Data Types and sources

The type data source for the study has included primary and secondary sources. The primary data would be collected from the management, employee of Oromia Credit and Saving s.c branch of Sebeta and clients where as the source secondary data has been gathered from Oromia Credit and Saving s.c branch of Sebeta annual report, quarterly reports, research papers which are more reliable, relevant and appropriate to this study, Credit guide, internet and micro finance institution in different level.

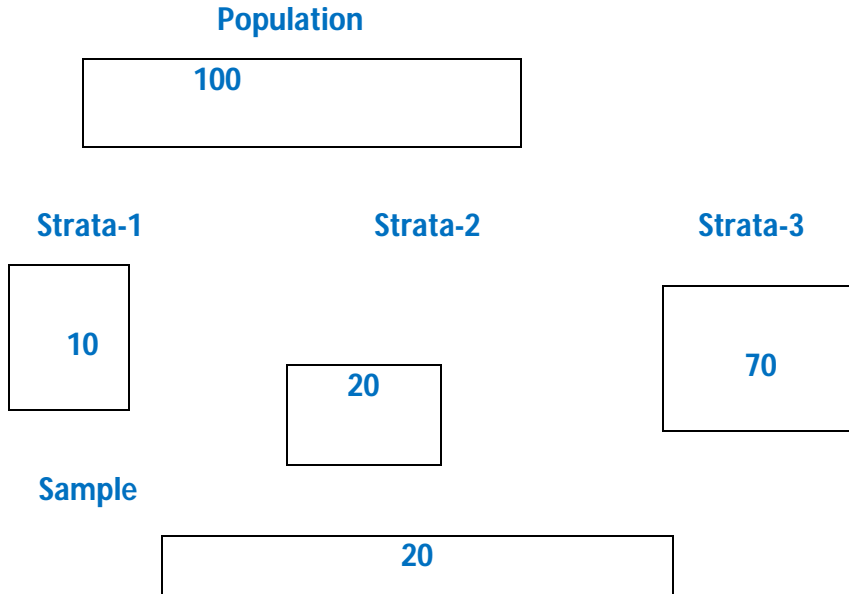
1.9.3 Population and Sampling Techniques

The target population of the study, OCSSC OF SEBETA branch , the organization has 44 employees/staffs among which 6 employees/staffs and 4 credit management officers in total 10 representative has been selected from in Non-probability judgment(purposive) sampling method . The selection criteria rely on student researchers purpose to include Each employees and credit managements of the organization who provide service to customers according to the rules and regulation of the organization credit and collection policy And its execution also applies in line with it.

whereas the clients' Oromia Credit and Saving s.cbranch of Sebeta comes from different place ,personality such as attitudes ,understanding etc and economic status, this might lead them heterogeneous characteristics and vary their numbers so as to accommodate the existing/prevaling situation the researcher has used proportional stratified random sampling techniques that are more appropriate. so in order to thrift (economized) the time in which the data was being collected and resources being used ,all the clients of the organization were not included in the sample size from the population The credit customers were randomly selected by proportional stratified sampling. to make homogenous the strata . the student researchers made three strata based on good economy status, better education level and one strata includes un educated and low economic class then finally, 20% of the clients were selected from each

stratum of the total 102 population sample frame and Proportional randomly selected from each strata for the required sample size which is 20 clients from credit customers.

Chart of proportional stratified sampling



1.9.4 Data Analysis

According to substantiating frame work by descriptive analysis data collective was used. In this analysis percentage, tables, numbers with regard to data are engaged as a sample analytical tool. With regard to data (primary data) by the researcher acquires the list of employees and clients from human resource management department and credit management respectively for sampling.

1.10 Organization of the study

The study is organized in such way the first chapter contains, the introduction part; Such as Back ground of the study, statement of the study, objective of the study, significance of the study, limitation of the study, the second chapter has revised related literature. Then the Third chapter gives data presentation and analysis. The last chapter or the fourth chapter presents brief final or (summary) of the discussed portions. Conclusion and the recommended solution given by student researchers are forwarded (explained) in this chapter.

CHAPTER TWO

LITERATURE REVIEW

2.1. Credit Policy in Ethiopia

The formal and informal financial sectors and the principal sources of finance for any investment or business that can be undertaken at micro, small – scale and large – scale levels in an economy. The major financial institutions in the formal financial sector in Ethiopia are the Commercial Bank of Ethiopia (CBE) and the Development Bank of Ethiopia (DBE). As Dejene (1993) noted, because of the elaborate paper work, bureaucratic lending procedures and stringent collateral requirements, the institutions do not deliver credit as and when needed. Moreover they operate at high transaction costs.

During the imperial regime the banking sector was partly owned by foreigners and the lending policy was mainly oriented to financing foreign enterprises wealthy clients while domestic small borrowers were rationed out and forced to seek credit from informal (Mauri, 1997)

More branch concentration was in few urban centers, with Addis Ababa alone, for instance, accounting for 64 percent of branches in the country. Collateral requirements were up to 200%.The agricultural sector was almost neglected because financial institutions considered agricultural activity as risky investment (Itana, 1994).

During the Derg regime (1974 – 1991) all financial institutions were nationalized and credit was mainly channeled to public enterprises, state farms and cooperatives. The provision of credit was not based on economic rationality but the discrimination against the private sector was not only in credit access but entirely on government preference also in interest rate, which was for instance 9% for private sectors as opposed to 6% for public industrial enterprises since July 1986 (Itana, 1994). Abreham (2002) noted that with the downfall of the Derge, the private sector got equal access to credit with other sectors, banks were also given autonomy to decide by themselves based on purely commercial criteria and establishment of private banks and insurance companies was permitted. As a result loan disbursed to the private sector, which was 49% in 1992/93 rose considerably and reached 87.7% in 2000/01. Infact there is still unsatisfied demand for credit from this sector of the economy due to inability to meet banks leading requirements.

As Solomon (1996) noted the banks serve big businessmen and disregard poor households as bankable. Many small, creditworthy businessmen, with their viable investment ventures, are denied access to institutional credit because they couldn't afford the required collateral. He also indicate that, "overall, the prevailing operation of the formal financial institution in many low income countries such as Ethiopia is inefficient in providing sustainable credit facilities to the poor.

Regarding delivery of financial services access to institutional credit was very limited in Ethiopia. Because of this limited access, the majority of the poor get financial services through informal sources like money lenders, Iqub, Iddr, merchants, friends and relatives, etc. The formal financial sources have not been interested in delivering credit to the poor. Even if the banks in the country, which are part of the formal financial sources decide to give credit to the poor. Even if the banks in the country, which are part of the formal financial sources decide to give credit to the poor (as in the case some banks have been forced to do so during the Derge regime) their outreach was also very limited for long. Thus, delivering financial services to the poor requires an innovative targeting design and a mechanism of credit delivery that helps identify and target only the poor who can take the initiative and sustain productive use of loans.

In recent years the informal and Semi – formal lending institutions (such as Iqub, Iddir, money lenders etc.) are becoming the dominant and important sources of finance for poor households in Ethiopia. According to Dejene (1993) account for 81% of the agricultural credit.

2.2. Development of Financial Institutions

It is noted that the formal financial markets in developing countries do not provide credit and saving services to small scale farmers, micro – entrepreneurs and woman. In other words, it is not accessible to the rural and urban poor. Consequently, government started to fill this gap by establishing development fiancé institutions since the 1930's (Hulmle 1997 p.2).

The large and successful micro finance institutions reaching the poor in developing countries have all relied on the support by donor and government at least during their formation stage. Because of wide spread market imperfection concerning financial service to the poor, institutional innovation and expansion in micro finance is rarely market driven, but the process that has been fostered by the public sector or altruistic leaders, private sectors have contributed

little to micro finance revolution that we have witnessed in the past fifteen years (Zeller 2001 as cited by Wolday 2002)

The Grameen Bank: In Bangladesh, professor Mohammed Yunus, 1997 as cited by Zeller 2001, addressed the banking problem faced by the poor through a program of action research with his graduates' students in Chittagong University; he designed in 1976 an experimental credit program to serve the poor. Through special relationship with rural Banks and the Support of Donors, the Grameen Bank was founded 1983 and now serves more than 3 million of the poor.

The state owned micro Banks in Indonesia; another flagship of micro finance movement is the Village Banking units system of the Bank Rakyat at Indonesia (BRI) the largest micro finance institution in developing countries. This state owned bank services about 22 million micro savers with autonomously managed micro banks. The micro banks of BRI are the product of a successful transformation by the state owned agriculture bank during the mid-1980's (AIO, 1973 as cited by Dejene 2000).

The earlier intervention of government in rural credit (i.e. provision of credit with cheap interest rate and limited saving and deposit facilities) was not successful in financial terms (Hume 1997, p.2). According to a World Bank study (1975) over half of a sample of 44 development finance institutions known to the World Bank had arrears rate of more than 50 percent. There was also a problem of high transaction cost (ibid, 1997, p.22). In addition most of the credit did not reach the intended beneficiaries (Khandker, 1998, p.1)

It seems that many countries in the developing world intervened in the rural credit markets. It is emphasized that neither financial intermediation nor higher interest rates will solve the problems of imperfect information and imperfect enforcement that are endemic in developing countries (Hume 1997, p.3)

2.3. Development of Micro Finance Institutions in Ethiopia.

Micro finance involved in the 1980s as development approach that intends to benefit the active poor, largely, in response to benefit the active poor. Largely in response to the failure of targeted subsidized cheap credit programs. In such programs benefits went to those having connections and influence rather than target groups. Large loan losses accumulated and frequent

recapitalization were required to continue operating, suggesting the need for a new approach considers micro finance as an integral part of financial system, emphasis as sustainable institutions operating on the market principles to serve the poor (as opposed to subsidized loans to the target population) and recognizes the importance of both credit and saving services (Samson, 2003).

In Ethiopia, though savings and credit program were operated for a number years by NGOS, micro finance operation in regulated form is a relatively new (about 10 years) phenomenon following proclamation 40/96 issued by national bank of Ethiopia (NBE) the early formal micro finance activity is the development Bank Ethiopia (DBE) pilot credit schemes for years their program that emphasized both credit and saving emerged in 1990s. For examples Relief society of Tigray (RST) to Dedebit credit and saving institution (DECSI). 1993, Oromo self-help organization (OSHO) to OCSSC (Oromia credit and saving share company) 1996 etc.

After Proclamation No 40/96 was issued, NGO were prohibited from directly involving themselves in credit and saving activities (Wolday, 2002) however, currently NGOs are playing a very important role by initiation and supporting their own micro financial institution, each improves the financial access to the poor. The outreach of micro financial institution, each improves the financial access to the poor. The outreach of micro financial institutions in Ethiopia is estimated to about half a million active client. The objective of all most all – micro financial institutions in Ethiopia is poverty alleviation (Bekele and Wolday, 2002).

Looking at the situation of Ethiopia empirical studies on the analysis of determinants of loan repayment and impact analysis are very few. Regarding loan repayment an econometric estimation was conducted by Mengistu (1997) taking the case of micro enterprises in Awasa and

Bahir Dar towns. The analysis consisted of estimating two equations, one for loan repayment and the other for loan rationing. According to the estimation results (employing binomial probit model for loans repayment) he reported that the number of workers employed has positive relation with full loan repayment for both towns, while loan size and loan diversion were negatively related. Age and weekly repayment period had positive relation with repaying loan in full for Awasa. In the case of Bahir Dar, loan expectation and number of workers employed have

a positive relation with full repayment, while loan diversion and availability of other sources of credit have a negative impact. The predicted probabilities of full loan repayment were 53% and 78% for Awasa and Bahir Dar respectively.

In relation to loan rationing for the case of Bahir Dar, six out of nine variables are significant.

Accordingly, loan size, expectation for another loan and availability of other credit sources are positively related with loan granting without rationing. On the other hand number of worker employed, supervision visits and loan diversion have negative impact. For the case of Awasa, five variables are significant; namely, loan size, age, education, weekly repayment period and loan diversion. Literate borrowers and borrowers with relatively higher level of age were incorrectly rationed despite being good payers.

In his study on the Project Office for the Creation of Small-Scale Business Opportunities (POCSSBO) in Addis Ababa, Berhanu (1999) using probit model found that education, timely loan granting and the use of accounting system are negatively related to the proportion of loan funds diverted. However loan size, numbers of dependents within the household and consumption expenditure is positively related to loan diversion. He reported that loan diversion and loan size are negatively related to full loan repayment while age is positively related.²⁹ Retta (2000) also employed probit models for loan repayment performance of Women Fuel Wood Carriers (WFCs) in Addis Ababa. He reported that educational level is negatively related to loan repayment while frequency of loan (repeat borrowers), supervision, suitability of repayment installment period and other income sources are found to encourage repayments and hence reduce the probability of loan default.

In another relevant study by Abreham (2002) an investigation of determinants of repayment status of borrowers and criteria of credit rationing were conducted with reference to private borrowers around Zeway area who are financed by the DBE. The estimation result employing tobit model revealed that having other source of income education, work experience in related economic activity before the loan and engaging on economic activities other than agriculture are enhancing while loan diversion, being male borrower and giving extended loan repayment period are undermining factors of loan recovery performance.

With regards to loan rationing mechanism, it was found that borrowers who secured high value of collateral and those with relatively longer period were favored while those with higher

equityshare and extensive experience in related activity were disfavored. This leads to the conclusion that the bank's rationing mechanism didn't much with the repayment behavior of the borrowers. Coming to studies on impact analysis, Kassa (1998) in his study of the impact of micro financing under the micro enterprise project scheme in southern Ethiopia, has reported growth in income, employment, consumption and medical expenditure of the beneficiaries after the loan. Using Wilcoxon Matched Pairs Non-Parametric test, he also indicated that the average income after the loan is greater than that before the loan, in all the three loan cycles.³⁰ Berhanu (1999) also used Wilcoxon test and found that health, education and consumption expenditures have increased after loan compared to that before loan. Employment and household income have also increased after the loan. But he found unsatisfactory results for saving mobilization, as POCSSBO did not attach the saving facility with its credit program or facility.

Retta (2000) also reported a positive impact of micro finance on the living conditions of fuelwood carriers (WFCs), there by enhancing their economic empowerment. This was reflected in the rise of their income, expenditure and in their shift to other alternative income generating activities after the loan rather than engaging in fuel wood collecting, carrying and selling activity.

Teferi (2002) in his study on Debit Credit and Saving Institution (DECSI) found out that credit scheme has made its own positive contribution to the beneficiaries in relation to income, access to educational facilities, medical facilities, household diet and savings.

2.4. The Ethiopian micro – Finance Experience

In Ethiopia Micor – financing experience providing credit to rural agricultural households for purchase of agricultural inputs and tools have been practiced by the country major state owned banks (including Development Bank of Ethiopia (DBE) and commercial bank of Ethiopia) credit schemes targeted a turban poor where non – existence until recent years who NGOs, starts providing credit on poor households in some parts of the country. Befekadu Degefe and Berhanu Nega, 1999/2000 Annual report on the Ethiopian economy volume 1 p. 381 – 382)

And hence nongovernmental organizations have been active in the prevision of micro fiancé services to the poor since the drought of 1984/85 and the government of Ethiopia has been keen on putting in place a legal framework under which micor – fiancé institutions (MFI's) can be formed. Poverty alleviation being MFI's top development agenda, the current government has

created suitable policy environment for the formulation of MFIs. Since the promulgation of proclamation no 40/1996, 19 MFIs have been legally registered. Covering over a population of more than 427,000 by March 2000, all MFIs in Ethiopia, the majority of the poor are excluded from MFI services due to a number of factors that are external and internal to MFIs. The other argument is that micro finance service should not be limited to poverty alleviation alone but should also be a tool for enhancing economic development at the grass root levels. This implies the need for diversifying the activities and the products of MFIs to reach those small entrepreneurs that are not reached by the formal financial services (Gebrehiwot, 2002 P. 31).

Since the issuance of proclamation No 40/1996, 19 MFIs have been registered and licensed by the House of Peoples' Representatives. Even though the development of MFIs started following the drought of 1984/85 recently the industry has shown remarkable growth in terms of outreach among poor rural households. With a network of about 500 branches and sub branches, the MFIs have spread their operations in the regional (Tigray, Amhara, Oromia and Southern nations and nationalities and Peoples Region) where the incidence of poverty is the highest.

2.5. Brief History of Oromia Credit and Saving Share Company

The today Oromia Credit and Saving Share Company was established in 1995 being named Oromia Rural Credit and Saving Schemes Development Project, by its then mother organization (OSHO, up to August 4, 1997). August 1997 the project was phased out and the company was established as its establishment, the project has almost the same mandate as that of OCSSCO today and commenced its operation in four districts/branches of Oromia zone, February 1997. The branches were; Sinanan- Disho of Bale Zone, Hetosa of Arsi Zone Kuyu of North Shewa Zone and Shashamane West Arsi Zone and in Addis Ababa.

After the project was transformed into the company following proclamation number 40/1996 issued by the House of Peoples' Representatives, the licensing & supervising law of regulate the business of micro finance in the country. Through time the company was increasing its area and client outreach in the Branch. The branch made an effort to expand its service to urban rural areas. Starting with clients of 430 males & 49 females & amount disbursed 329,200 birr for male 33,500 birr for female and repayment of 100% (Annual report 2002/2003 Now a days it has eight years having different number of clients and employees (Abdesa 2009 P.9).

2.6. Establishment Credit Groups (CG)

A group of 10 to 12 people organizes themselves into saving and credit groups (SCG) or modifies their existing group to accommodate the guidelines of OCSSCO. Each group will have the center cent 1 chair person, secretary, treasure, service period is for one year and if the group wishes they may serve for one additional year. A member of a group must then step down for one year before he or she is entitled to serve again in the executive committee for the work to go smoothly, of the elected, at least must be able to read and write.

The zonal social and economic committee takes the overall coordinating responsibilities for facilitating the form action of saving and credit groups by registering and helping them to solve their problems to take collective measures and decisions. The committee carefully guides SCG'S until they build up their capital and capacity.(Abdesa, 2009 P.11)

2.7. The Need for Credit Management

The management of all assets and liabilities is essential if they are to achieve efficient and effectiveness of MFI. Mismanagement of these resources, indeed leads institutions to failure.

Proper management of micro – financing service operation means maintaining the quality of work or the standard of the business or industry. But, failure to maintain the quality or if the quality or loan is poor.

Low loan performance could lead to the liquidity problem if some of the loans are not repaid. Institutions could able to repay their debts. Unless there is some form of protection, depositors will be at risk and will be affected. This in turn erodes the credibility of an MFI. An MFI will not be able to earn interest income, which is a major and largest source of revenue. Profitability is also significantly affected as a consequence.

To minimize possible failure of the program or micro fiancé service operation clear working policies and procedures should be designed and implemented accordingly. These policies and procedures are in targeting the clients, loan processing, risk management, client management and supervision and follow up issues.

The formal financial institutions played little role in financing development efforts in the rural areas. This is because they are clustered in urban areas, concentrate on funding large enterprises and are inaccessible to the rural poor especially in terms of distance.

In addition the rural poor can't fulfill banking requirements to get loans. The requirements for collateral and intrinsic banking procedures are in most cases very difficult for the poor to deal with. The volume of loan demanded by small farmers is not appealing to banks. Such loans are

difficult to manage and their processing not financially feasible.

Dejene (2003) argues in his study on the economic importance of the informal institutions in Ethiopia that the poor are often marginalized in the formal credit markets. This can be explained

partly in terms of: 1) a lack of collateral, which makes lending to the poor a risky venture; 2) transaction cost of lending to and borrowing by the poor is often high; and 3) utility loss from repayment is higher for the poor as compared to the rich. So the poor don't have access to the formal financial sources. Lack of access to institutional credit is one of the crucial factors impeding peasant agricultural production in particular and rural development in general.

On the other hand credit from informal sources is inadequate and moreover the interest rate charged is exorbitantly exploitative. Fidler and Webster (1996) note that although informal credit

markets operate widely in rural areas, moneylenders typically charge very high interest rates, inhibiting the rural poor from investing in productive income generating activities.

Thus, failure of the formal financial institutions to fulfill the financial needs of the rural poor, on the one hand, and inadequacy and exploitative or costly nature of informal credit sources on the other, led to the establishment of specialized financial institutions known as MFIs with the purpose of extending micro-credit to the rural and urban poor. Johnson and Rogaley (1997) defined micro finance as the provision of financial services to the poor involving small deposits and loans. MFIs use peer monitoring and joint liability structure to overcome the screening, monitoring and enforcement problems commonly encountered by formal lending institutions (Sinha, 1998).

2. 8 Repayment Performance in Group Lending

Since the 1970s, group-lending programs have been promoted in many developing countries. A common characteristic of group lending is that the group obtains the loan under joint liability, so each member is made responsible for repayment of loans of his or her peers. Joint liability, but possibly more so, the threat of losing access to future credit, incites members to perform various functions, including screening of loan applicants, monitoring the individual borrower's efforts, fortunes and shocks, and enforcing repayment of their peers' loan. (Zeller, 1996).

The existing theoretical models of peer monitoring deduce that repayment performance in group lending programs is positively related to the homogeneity of members with respect to the riskiness of their projects (Stiglitz, 1993; Besley and Coate, 1995). In group-lending programs, the functions of screening, monitoring and the enforcement of repayment are to a large extent, transferred from bank to group members. The financial intermediary reduces recurrent lending transaction costs by replacing a multiple of small loans to individuals with a larger group loan (Adams, 1988 as cited in Zellar, 1996). This reduction in transaction costs enables financial intermediaries to bank with poor, who demand small loans and who would not receive any credit

under an individual loan contract because of excessive unit transaction costs of tiny loans. Zeller (1996) argues that probably the most important rationale for group lending is the information and monitoring advantages that group-based financial institutions at the community level have, compared to individual contracts between a bank and borrower. Group members get important information like reputation, indebtedness and asset ownership of the loan applicants at a lower cost. They can also easily monitor individual efforts made towards ensuring repayment.

In addition, groups may also have a comparative advantage in enforcement of loan repayment.

Group members can potentially employ social sanctions or even seize physical collateral from the defaulter (Besley and Coate, 1995). Moreover, group members appear to be in a better position to assess the reason for default and to offer insurance services to members who are

experiencing shock that are beyond their control. (Zeller, 1996) Despite all the above-mentioned benefits, group lending is not without its problems. There are several factors that may undermine the repayment performance in group lending. Zeller (1996) discusses that since the risk of loan default by an individual is shared by his or her peers, a member may choose a riskier project compared to that in the case of individual contract, and may count on other members to repay his or her loan (i.e. adverse selection of risky projects). He further notes that repayment incentives for a good borrower will vanish under joint liability, when he or she expects that significant number of peers will default. Individuals select those whom they trust to form a group with, that is they want those who can make regular repayments, have a good concern about the possible loss they face in case of no repayment, ultimately leading to the exclusion of the poorest of the poor. Reikne (1996) assessed the factors that lead to the failure of group based lending system in urban areas and went on to the extent that he recommended an individual credit system for a better loan repayment. According to him presence of high geographical mobility, low attachment to specific neighborhoods and peer groups consisting of competitors are the factors that frustrate the solidarity of groups in urban areas, and hence group lending is more applicable to the rural environment than to urban society.

Chapter Three

3. Data Analysis, interpretation and Discussion

3.1, Presentation, interpretation and analysis for questionnaires provided to Ocscso of Sebeta branch customers

In the previous chapter the conceptual approach of assessment of credit collection management was discussed. Here in this chapter the data analyzed and interpreted the data which has been collected through primary and secondary data. The data is summarized in tabular form and expressed in percentages for the convenience of presentation data gathered via interview and questioner. Hence the analysis is based on the following response and its rate. The response rate is shown below.

Table 1-Educational status of OCSSCO's client of the branch

Qualification	Certificate	6-12 grade	<6 grade	Illiterate	Total
frequency	2	10	7	1	20
percentage	10%	50%	35%	5%	100%

Source; human resource document

As indicated in the above table the educational level of clients was found to be dominated illiterate (5%) less than 6(35%) complete (almost 50%) followed by certificate (10%) and diploma holders respectively. From this figure one can understand that the educational status of many of the stake holders of the branch is very low.

Table 2 – Response rate

Type of Respondent	Planned Question	Type of primary data	No of Respondent	Response percentage
OCSSC Of Sebeta Branch Employees	10	interview	10	100%
OCSSC of sebeta branch customers	20	Questionnaire	18	90%

Source: Compiled from primary data

As shown from the above table the response rate found from Ocscso of Sebeta branch employees 100 % have been interviewed and from credit customers 90 % have been responded questionnaires which was planned to and performed,

Thus, from the result of the study implies that the response rate is very much satisfactory to obtain enough information about assessment of credit collection management in Ocscso of Sebeta branch.

Table 3: Reason to Select Credit and Saving Company of Sebeta Branch

Questions	particulars	No. of Respondent	Respondent as %					
			frequency	Yes	frequency	No	frequency	No response
What was your reason to select credit and saving S.C. of sebeta branch?	Nearness Of Organization	18	7	38.89	10	55.56	1	5.56
	Good Approach of the Organization Employees	18	14	77.78	2	11.11	2	11.11

The Best Remedy to Reduce Poverty Or Improve Living Standard	18	16	88.89	2	11.11	0	
It Creates an Job Opportunity	18	5	27.78	9	50	4	22.22
Looking My Friends And Neighbors	18	17	94.44	1	5.56	0	-
Its Lower Interest Rate Than Other Institution	18	16	88.89	2	11.11		

Source: Compiled from primary data

From the above table shows 38.89% of the customers said that the reason to select Ocscsco of Sebeta Branch has been nearness of the organization, 55.56% of the customers have not but 5.56% of the customers not responded. 77.78% of the customers said that Ocscsco of Sebeta Branch has been selected because of their good approach, 11.11% of the customers said has not but 11.11% of the customers not responded. 88.89% of the customers said that credit and saving Ocscsco of Sebeta Branch has been chosen because of its best remedy to reduce Poverty Or Improve Living Standard the customers, 11.11% of the respondent said that it has not a means to reduce the poverty and improved the living standard. the other respondent answered to the reason to select credit and saving Ocscsco of Sebeta Branch that 27.78% the respondent agree to select it creates the opportunity job, 50% of the respondent did not agree it create job opportunity. Whereas 94.44% of the respondents has selected the organization when they have looked their friends and neighbors, 5.56% of the respondent not looking their friends and neighbors. The practice of the respondent tells that 88.89% of the respondent accepts its lower interest rate than other institution to select the organization but on the other side 11.11% of the respondent not accepted.

As results of based on the above presentation and interpretation the researcher analyze that their motivation raise rely on their individual interest and attitude but most probably its implication shows that the respondent select the organization because of its benefit to their

friends and neighbors, lower interest rate and its role to reduce their poverty as well as improve living standards.

Table 4: Credit Client Training

Questions	No. of Respondent	Respondent as %					
		frequency	Yes	frequency	No	frequency	No response
Do you take training about credit and saving?	18	16	88.89 %	2	11.11%		-

Source: Compiled from primary data

To Examine whether sufficient training has been given to Ocscso of Sebeta branch customers or not the researcher distributed questionnaires for Ocscso of Sebeta branch customers and to result has been 11.11 % of the respondent said that credit department have not been given sufficient training about credit and saving where as 88.89 % of the respondent have answered that sufficient training about credit and saving have been given properly.

From the above presentation of the data the researcher would try to analysis most of Ocscso of Sebeta branch customers has been taken enough training about credit and saving to handle and how to use the loan given byOcscso of Sebeta branch.

Table 5: Understanding the Concept of Credit And Saving

Questions	No. of Respondent	Respondent as %					
		frequency	Yes	frequency	No	frequency	No response
Do you have clear understanding about credit and saving and its concept?	18	17	94.44 %	1	5.56 %		-

Source: Compiled from primary data

The researcher should try to present how many of the customers understand the concept of credit and saving. From the total population 94.44% of the respondent have good understanding about the concept of credit and saving where as 5.56 % the respondent has not understand. Therefore, the research shows that most of the customers have well understand about the concept of credit and saving and the customer has been doing their activity accordingly on the interest of credit collection management policy.

Table 6 : sector plan to do

Questions	No. Of respondent	Respondent as %							
		frequency	Small Scale manufacturing	frequency	Retailer	frequency	Farming	frequency	other specify
Which sector do you plan to do?	18		-		-	15	83.33 %	3	16.67 %

Source: Compiled from primary data

From the above table 83.33% respondents have used the credit for farming sector and 16.67% of the respondent used the credit for supplementary off farming season such as weaver ,tailor and seedling nursery .

Thus, the researcher analyses that from the above presentation most of the ocssco of sebeta branch clients living around are farmers so they need financial support to facilitate for their inputs consumption.

Table 7 : frequency of getting credit

Questions	No. of Respondent	Respondent as %					
		frequency	Once	frequency	Two times	frequency	Many times
How many times did you get credit from this organization?	18	5	27.78 %	9	50%	4	22.22%

Source: Compiled from primary data

The respondent frequency to borrow shows that 27.78% of the respondent has taken credit once. The other extreme 22.22% of the respondents has got credit many times from and 50% of the respondents have just got credit twice Ocscso of Sebeta branch.

As results of the above description the researcher analyze the majority of existing customers has taken credit more than once to support their main activity so far. Besides, this indicates that customers' repayment capacity is high and also honest and trustworthy for credit utilization. So Ocscso of Sebeta branch has often given the next phase of credit for their better repayment performance.

Table 8 :credit period time schedule

Questions	No. of Respondent	Respondent as %					
		frequency	Yes	frequency	No	frequency	No response
Do you believe credit period good enough to repay the credit according to a given time schedule?	18	14	77.78 %	4	22.22 %		-

Source: Compiled from primary data

The research results indicate that 77.78% of the respondents accept credit period to repay according to time schedule where as the rest of the respondent has accepted the credit period to repay on time.

Thus, from the above presentation the researcher analyzes that most of the respondents accept the prevailing credit period policy. However, some of the respondents need to extend the credit period to return their due.

Table 9 : monitoring the customer operation

Questions	No. of Respondent	Respondent as %					
		frequency	Once	frequency	Two times	frequency	Many times
How many times do they supervise your operation?	18	1	5.56%	4	22.22%	13	72.22

Source: Compiled from primary data

The above Table shows that from the total respondent 72.22% of the respondent have been supervised many times by the experts of Ocscso of Sebeta branch. 22.22 %of the respondent supervised two times and 5.56% of the respondent has answered only once.

The high percentage of presentation indicate that Ocscso of Sebeta branch credit collection management monitoring the ongoing situation of their customers activity and give attention to create intimacy with them not only financialsupport but also technical reinforcement to promote their initiation.

Table 10 :credit brings changes the respondent life

Questions	No. of Respondent	Respondent as %					
		frequency	Yes	frequency	No	frequency	No response
Do you believe credit bring s change in your life?	18	15	83.33%	3	16.67 %		

Source: Compiled from primary data

As the research shows on the table that 83.33% of the respondents have responded credit and saving brings changes in their life but, 16.67% of the respondent credit have not brought changes on their life.

The researcher understands from the fact that Most of the customers who utilizes financial resource efficiently would bring change in their life.

Ultimately, the proper utilization of credit as per the need of their activity accordingly should be changed most the respondent's life. Supervision , monitoring and further training based on of their feedback it might be improve how to use and pay on the credit period.

3.2, Presentation, interpretation and analysis for open ended question provided to Ocssco of Sebeta branch employees /officials

The interview has been given to five officials so as to get enough information about Credit collection management in Ocssco of Sebeta branch. The organization has been doing different performance to their clients according to the officials/ employees response on the interview these are credit and saving, consulting, insurance and money transfer services. Ocssco of Sebeta branch has predetermined objective and criteria to register and provide services to their potential clients. Ocssco of Sebeta branch has mainly worked credit service to the existing and potential customers. the pre-condition requirement to accept customers are the customer should never take loan from other institution, be honest as well as sincere ,the age of the potential customer should be not more than 60 years and the proposed plan of activity of the customer and its practice should be legal .more ever, it should be encouraged to be agricultural project and supplementary to off farming season.

The employees interviewed in the research were asked a series of question on customer's credit periods stay in your organization in order to obtain information on the practice. The practice of credit period showed that 80% of the employee's credit stays no greater than six months. But, 20% of the employee's credit stays greater than six months.

As a result of the above presentation the researcher analyze that most of the employees practice shows credit period stays not greater than six months .the credit policy effectively implemented as per the credit manager .but sometimes in some situational circumstance may up set the plan to stay according to the predetermined time schedules.

Credit managers and official interviewed about employees of Oromia Credit and Saving S.C has been given education. the official responded that 100% of the respondent who works in Ocssco of Sebeta branch educate or give orientation to their employees for what purpose, how to, how much and when to take and return in accordance with and no respondent has said no.

Thus, education is given to all credit department employees. And also frequently provide training to the employees to update them by the Ocssco of Sebeta branch.

Material and technical support more important to the ongoing operation of credit and saving S.c showed that 100% of the interviewed respondent who works in credit and saving S.c of Sebeta branch said that the organization has equipped guides, materials and technical support to the existing and potential credit customers that may necessary to stand in line with rules and regulations of the organization.

On the other hand, the employee's interview shows that Ocscso of Sebeta branch personel staffed are not organized well which means according to official's interview response the organization has not appointed professionals. But, upgrade the existing employees. Ocscso of Sebeta branch has used to do manually so they do not have technological instrument to facilitate day to day operations.

The employees said that they have meeting to customers monthly. Have discussed with them about their operation, they report the particular problem they face and gather any feedback to alleviate the existing problem. Finally, Ocscso of Sebeta branch officials forward final solution. Moreover, employees collect credit and saving in the place where meeting takes place. On the other hand the employees has monitored the customers by spot checking and surprise checking on the field to know on going operation of the customer s .

Almost 100% of employees response the interview that the customers have hindered and not paid credit completely in line with time schedule. The organization has used to encourage and initiate customer house to house assessment so as to pay back the credit .otherwise; the last counter measure should be accused them in judge.

Officials responded the interviewed about credit and saving s.c 90% of the customers have paid their loan but 10% of the customers unable to pay loan. Therefore, the student researchers analyzes that almost all the customers pay their debt as per the need of the credit management.

The employees/officials has responded the organization has got problem about the existing credit collection management. The main cause of the problem shortage of money and the increasing number of customers .the researcher analyze that the availability of financial resource are not equivalent to the demands of the customer which have brought problems .

From the interview the organization employees suggests that the existing problem can be solved by mobilizing financial resource from other micro finance branch and firing the customers who are not able to pay their loan so long .

Eventually, the respondent of the organization employees said that as much as in all possible effort the credit collection management should try to bring back until the credit became 0 %.

Chapter Four

4. Summary, Conclusion and Recommendation

4.1 Summary of the Major Finding

Credit and saving is the central part of the student research and also important to achieve the company's objective by doing efficiently and effectively financial resource. having provided the loan and gave training how to use loan and proper utilization financial resource so as to get results of mutual benefit for both credit customers and credit and saving share company.

the purpose of the student research is to asses credit collection management in Oromia Credit and Saving S.C Sebeta branch the data collected from the employees ,higher officials in Ocscso of Sebeta branch carried out through interview and additional data collected through quaternaries from credit customers. To strength the student research the document s of the company would be analyzed. The credit customer's respondent determined by using proportional stratified sampling technique and the credit department employees and credit management's officials by using simple random sampling. Variables such as length of credit period provide sufficient training to existing customer to create awareness, super vision program to follow up the existing operation of customers and determination of loan repayment as per the law of rules and regulation. And their impact on credit collection management investigated .descriptive technique such as tables and percentage used to analyze the data. The findings of the study would be summarized and conclusions would be drawn. Based on the research findings generalization would be made.

The main concern of this study is to asses' credit collection management in Oromia Credit and Saving Share Company Sebeta branch. To under take this study the student researches has formulated research questions and designed objectives.

The plan was to solve the research questionnaires and interviewed in the process of data analysis and interpretation.

The basic questions:

What is the credit and saving program in Oromia Credit and Saving S.C Sebeta branch?

What are the main factors that impeded the company to provide effective loan to the credit customers?

How does credit and saving mechanism related issues affect credit customers operation and repayment capacity as well as credit collection performance?

Data and information were gathered from the major finding primary source through interview and questionnaires survey. The interview held with employees and some credit management officers. The employees and the credit management officers who are directly related to credit were randomly selected and the questionnaires also held with credit customers of Oromia Credit and Saving S.C Sebeta branch. The credit customers were randomly selected by proportional stratified sampling. to make homogenous the strata classified based on economy states ,education level and one strata to un educated and low economic class then finally proportional randomly selected from each strata to sample.

4.2 Conclusion

The general objective of this research paper was to assessment credit collection management with in Ocscso of Sebeta branch. Based on the analysis and interpretation we have made in the preceding chapter concludes the followings.

- The scratching point to conclude the fact both Oromia Credit and Saving S.C Sebeta branch employees as well as the customers has been taken enough training about credit and saving to handle and how to use the financial resource.
- Here the student researchers conclude that most of the Oromia Credit and Saving S.C Sebeta branch clients, who have lived around ,main occupation are farming sector .they need financial support to facilitate for their inputs consumption
- The facts bolds from the analysis the majority of existing customers has taken credit more than once to support their main activity and harvest more benefit so far. And wants to stay in line with the rules and regulation of the organization .besides, the customers' repayment capacity is high and honest and creditworthy. So Oromia Credit and Saving S.C Sebeta branch has often given the next phase of credit for their better performance customers Thus, from the information found in interpretation and analysis the student researchers conclude that most of the respondents accept the prevailing credit period policy. However, some of the respondents need to extend the credit period to return their due.
- From the facts of presentation and analysis the student researchers understand that Oromia Credit and Saving S.C Sebeta branch credit collection management monitoring frequently the on going situation of their customer's activity and give attention to create intimacy and collaboration with them to support financial and technical support for mutual benefit.
- The student researchers conclude that Oromia Credit and Saving S.C Sebeta branch has strict requirements to accept customers, customers should never take loan from other institution, honest as well as sincere, the age of the potential customer should be not more than 60 years and the proposed plan of activity of the customer and its

practice should be legal .moreover, it should be encouraged to be agricultural project and supplementary to off farming season.

- The credit policy implemented effectively to satisfy the customer. Therefore, Most of the Ocscsco of Sebeta branch employees practice shows credit period stays not greater than six months
- The student researchers conclude that Oromia Credit and Saving S.C Sebeta branch has not well personnel organized and it operate manually not used technological instrument such as computers for documentation to facilitate its operation effectively.

The organization has used to encourage and initiate customer house to house assessment so as to pay the credit .otherwise; the last counter measure should be accused them in judge.

Oromia Credit and Saving S.C Sebeta branch has faced shortage of financial resource. However, the existing problem can be solved by mobilizing financial resource from other micro finance branch and firing the customers who are not able to pay their loan so long.

4.3 Recommendation

- Sufficient training about credit and saving has been given to the company employees should help to minimize the hindrance of loan repayment .the company employees well understanding what role they play, how to facilitate credit , have good knowledge technically and prosperous practices and finally know how to follow the customers operation might support the client to be capable to repay the loan .while the credit customer also has got frequent and sufficient training about credit and saving which supports how to use and handle the financial resource properly the Without any hesitation and make ease the burden of the credit customer's life. Therefore, the student researcher recommended by looking thoroughly the overall situation through the facts that came from data analysis. Both Oromia Credit and Saving S.C Sebeta branch employees/credit management staffs have been doing their duties properly. The student researchers appreciated and said keep it up.
- Most customers of Oromia Credit and Saving S.C Sebeta branch main occupation is farming they need credit to buy input so the organization stands to provide

financial resource in appropriate way to satisfy the needs the customers this supports the society around the organization. The researcher suggests to go on and improve the existing practice by using technological instrument such as computerized documentation, supply machines and other related sophisticated technology.

- Most of the customer accepts credit period but some of the customers are unable to pay on time schedule. Thus, the researcher recommended that Oromia Credit and Saving S.C Sebeta branch should give attention to the customers requisition. Then credit collection management has to be reasonably flexible to accommodate the existing credit period policy to accomplish their obligation and repay loan.
- Assessment of credit collection management mainly concern with the existing and potential customers as long as the organization exists. Monitoring day to day activity, supervision and creating intimacy to the customer paramount important to prolong the existence of organization as well. The student researcher should admire the company's follow up mechanism to inspect and evaluate the credit customer on going operation and appreciate Oromia Credit and Saving S.C Sebeta branch and recommended to make better than before.
- The researcher recommended that Oromia Credit and Saving S.C Sebeta branch should be well organized personnel and used technological instrument to facilitate its operation effectively. Moreover, the organization should appoint highly trained, well experienced competent professionals to solve the existing problems and to narrow the gap the repayment of the loan

In general, in order to overcome the problem on assessment of credit collection management in Oromia Credit and Saving S.C Sebeta branch, and build its capacity to perform its duties and responsibilities effectively and efficiently. Credit customers have to perform their duties only in accordance to the rules and regulations the organization.

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Appendices

Questionnaire Dessioned for personal interview with OFFICIALS

The purpose of this interview is to collect primary data on assessment of credit collection Management Of OCSSCO Of Sebeta Branch for partial fulfillment of Bachelor of arts IN Accounting .

Reminding you the fact that your genuine response is highly valuable and great contribution for the study being conducted.

- 1, What is the performance of credit collection management of OCSSCO of SEBETA?. Please list
- 2, What are pre conditions / the criteria provide credit to potential credit customers?
3. How long the credit periods stay in your organization?
4. What kinds of condition/reasons treat the customer to extend the period?
- 5, Did OCSSCO of SEBETA branch educate or give orientation to their customer's for what purpose, how to, how much and when to take and return in accordance with?
- 6, is there enough preparation to equipped guides , materials and technical support to the existing and potential credit customers that are necessary to stand in line with rules and regulations of the organization?
- 7 , How the credit department is staffed and organized in man power and facilitate?
- 8, Did your organization provide sufficient training to its employees particularly credit department?
- 9 .what type of monitoring and evaluation system implement to follow up the existing customer?
- 10, Is there any repayment hindrance and completely unable to pay in line with time schedule?
A,Yes B, no
if the respondent answer is " yes" go to the next question
11. What method organization use to initiate customer to repay according to time schedule?
- 12, What kind of measure did use the organization to collect the credit?
- 13, From your history of organization how many customer return credits properly on the behalf of OCSSCO of Sebeta branch?
- 14 how many customers utilize efficiently credit according to their plan?

15. Has your organization got any problem about the existing credit collection management?

YES NO if the respondent answer is "yes" next q-14

16. What are the main causes of the problems?

17. Did you take any counter measure to solve the cause of the prevailing problem?

18. What are the strong sides in credit collection management of OCSSCO of Sebeta branch?

Questionnaire to be filled by customers of credit in OCSSCO of SEBETA

This questioner is prepared to gather primary data on assessment of credit collection Management in OCSSCO of Sebeta Branch for partial fulfillment of Bachelor of arts In Accounting. Reminding of the fact that your genuine response is highly valuable and great contribution for the study being conducted. Please tick in the box that you consider an appropriate answer. Moreover, give detail explanation when it is required to do so.

Furthermore, you are kindly requested to three days; finally, we express our thanks in advance for your cooperation.

1,What was your reason to select credit and saving ocssco of sebeta branch?

1, nearness of organization/

2, Good approach of the organization

3, the best remedy to reduce poverty or improve living standard

4, it creates an job opportunity

5, looking my friends and neighbors

6, its lower interest rate than other institution

2,Do you take training about credit and saving?

a, Yes b, no

3,Do you have clear understanding about credit and saving and its concept ?

a, Yes b, no

4, Which sector do you plan to do?

a, Small Scale manufacturing b, Retailer C, Service rendering d , other specify

5, How many times did you get credit from this organization?

a, Once b, Two times c, Many times

6, Do you believe credit period good enough to repay the credit according to a given time schedule?

a, Yes b, no

7, How many times do they supervise your operation?

a, Once b, Two times c, Many times d, None

8, Do you believe credit brings change in your life?

a, Yes b, no

9, Is there any technical support given by ocscso of sebeta branch experts?

a, Yes b, no

10, Do you have access to get guides rules and regulation?

a, Yes b, no

