ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

ASSESSMENT OF LOAN DEFAULT PROBLEMS OF MICRO AND SMALL ENTERPRISES IN BOLE SUBCITY, ADDIS ABABA ETHIOPIA

BY:

FEREDE MEZGEBE

JUNE, 2021
ADDIS ABABA, ETHIOPIA

ASSESSMENT OF LOAN DEFAULT PROBLEMS OF MICRO AND SMALL ENTERPRISES IN BOLE SUBCITY, ADDIS ABABA ETHIOPIA

BY:

FEREDE MEZGEBE (SGS/0064/2011B)

ADVISOR:

ZENEGNAW ABIY (PhD)

A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OFGRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF ARTS (MA) IN ACCOUNTING AND FINANCE

JUNE, 2021
ADDIS ABABA, ETHIOPIA

ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES

FACULTY OF BUSINESS

ASSESSMENT OF LOAN DEFAULT PROBLEMS OF MICRO AND SMALL ENTERPRISES IN BOLE SUBCITY, ADDIS ABABA ETHIOPIA

BY: FEREDE MEZGEBE

APPROVED BY BOARD OF EXAMINERS

_____	_____
Dean, Graduate Studies	**Signature**
_____	_____
Advisor	**Signature**
_____	_____
External Examiner	**Signature**
_____	_____
Internal Examiner	**Signature**

DECLARATION

I, Ferede Mezgebe, the undersigned person declare that the thesis entitled "Assessment of Loan Default Problems of Micro and Small Enterprises in Bole sub city, Addis Ababa Ethiopia" is my original and submitted for the award of Master of Art Degree in Accounting and Finance from St. Mary University at Addis Ababa and it hasn't been presented for the award of any other degree. Under this study, fellowship of other similar titles of any other university or institution of all sources of material used for the study has been appropriately acknowledged and notice.

Ferede Mezgebe   _____   _____

Candidate   Signature   Date

CERTIFICATION

This is to certify that Mr Ferede Mezgebe has properly completed his research work entitled "Assessment of Loan Default Problems of Micro and Small Enterprises in Bole sub city, Addis Ababa Ethiopia" with our guidance through the time. In my recommendation, his task is appropriate to be submitted as a partial fulfillment requirement for the Master of art Degree in Accounting and Finance.

Research Advisor

Zenegnaw Abiy (PhD)

_____

Signature and Date

ACKNOWLEDGMENTS

I praise the name of Almighty God who gave me power and patience in every endeavor of my life. Next to that I would like to extend our sincere appreciation to my research advisor, Zenegnaw Abiy (PhD) who supervised me in conducting this research work commendably. Special thanks to Bole sub city, enterprise owners and experts and employees, who assisted me in providing data pertaining to this study. My self-effacing appreciations go to all of my family members, who always were in my side helping me financially and morally in my academic accomplishments. As a final point, these acknowledgements will not be completed without mentioning sincerely thanks to my classmates and friends as well. Especially thanks my wife for her ideas, advice, unlimited support and encouragement.

TABLE OF CONTENT

LIST OF TABLE

LIST OF FIGURES

LIST OF ACRONYMS

ADB	Africa Development Bank
ADCSI	Addis Credit and Saving Institution
CSA	Central Statistics Authority
FeMSEDA	Federal Micro and Small Enterprises Development Agency
FI	Financial Institution
FIs	Financial Institutions
MFI	Micro Finance Institution
MFIs	Micro Finance Institutions
MSE	Micro and Small Enterprise
MSEs	Micro and Small Enterprises

ABSTRACT

Loan is related to a type of debt, and like all debt instruments, a loan entails the redistribution of financial assets over time between the lender and the borrower. Thus, the study sought to assess the loan default of micro and small enterprises in Addis Ababa. The present study targeted owners of various micro and small enterprises in Bole sub city, Addis Ababa in Ethiopia. 273 usable questionnaires were returned from the total 358 with the response rate of 76 %. This study mainly used descriptive research design, primary data and self-administrated questionnaire. A pilot study was undertaken with various MSEs to test the reliability and validity of the questionnaire. This study used stratified sampling technique using the type of business that the owned MSEs were operating. This comprised of manufacturing, trade, service, agri-business and construction. As result, this study revealed that the male gender could be dominating the micro and small enterprises sector and there is a possibility of loans diverted to unplanned purposes because of many responsibilities resulting from meeting the needs of many members of the family. This study also found that there are inconvenience loan payment scheduling and occurred lack of standardize collateral requirements (mean = 3.98) and repayment option (mean = 4.06) by MFIs. The major causes of loan default included failure to tie lending to creative investment; imperfect loan policies [loan disbursement procedures (4.18) and complex loan disbursement procedures (4.08)] and delayed loan disbursement, too much or too little credit and misuse and exploitation of loans [corruption in case of loan disbursement (4.09)]; and discipline on the part of borrower. MSE's lenders do not have a well-organized collection system and lack of electronic payment system (mean =4.360) like mobile banking. The study found out that large family size and poor personal characteristics, corruption, business experience, age, interest rate and longer duration of business - loan characteristics are allude to as the loan default problems. This study suggests that banks may implement a well-organized electronic payment and collection system and like core banking database and mobile banking.

Key Words: Micro and Small Enterprise, Loan Default, Bole sub city

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Loan is bounded as a sort of debt, and similar to all debt instruments, a loan entails the distribution of economic assets over time between the loaner and therefore the receiver (Gathoni and Sayeed, 2014). The borrows acquaint degree quantity of cash known as the principal from the loaner, associate degreed is supposed to pay back an equal quantity of cash to the loaner at a later time in a loan. The money characteristically is paid back in regular installments or partial repayments in an annuity; each installment being of the same amount (Addisu, 2007). In line with this, loan default can be defined as the inability of a borrower to fulfill his or her loan obligation when due (Wakuloba, 2005). However, loans from other financial institutions like the informal financial institutions may have a different repayment structure which is custom made for the borrower (Fikirte, 2011). Accordingly, high default rates in Micro and Small Enterprises (MSEs) lending should be of major concern to policy makers in developing countries, because of its unintended negative impacts on MSEs financing as they have faced with the challenge of loan default all over the world (Gathoni and Sayeed, 2014).

Default on borrowed funds could arise from unfavorable circumstances that may affect the ability of the borrower to repay as pointed out by Shide (2012). He listed the most common reasons for the existence of defaults included if the financial institution is not serious on loan repayment, The debtors aren't inclined to pay off their loan; the economic institution's staffs aren't accountable to shareholders to make a profit; clients' lives are frequently complete of unpredictable crises, together with infection or demise with inside the family; if loans are too huge for the coins wishes of the business, greater finances may fit closer to non-public use; and if loans are given without the right assessment of the business. Wakuloba (2005) recognized the main causes of default as poor business performance, diversion of funds and domestic problems. Gathoni and Sayeed (2014) claimed that there are many socio-economic and institutional factors influencing loan repayment rates. The main factors from the lender side are high-frequency of collections, tight controls, and an honest management of data system, loan officer incentives

and good follow ups. In addition, the dimensions and maturity of loan, rate of interest charged by the lender and timing of loan disbursement have also an impression on the repayment rates. The main factors from the borrower side include socioeconomic characteristics like, gender, educational level, legal status and household income level and peer pressure in group based schemes.

To date, Bole Sub City is a concentration of micro and small enterprises such as construction, wholesale, restaurant, hardware retail and technologies shops and machinery repair service workshops. There are approximately 3428 enterprises that have been engaged in construction, trade, services, and garage and metal and wood work workshops (Bole sub City, 2020). Thus, this study is intended to asses these MSEs loan default problems. It is actually the priority areas of action among the programs addressing African development, and it can be seen as a means of achieving smooth transition from traditional to modern industrial sector (Drbie & Kassahun, 2013). This is because MSEs have a crucial role because of their potential contributions to improvement of income distribution, employment creation, poverty reduction, industrial development, rural development, and export growth in developing countries (Zemenu & Mohammed, 2014). MSEs Play an important role in economic and social activities of the people in developed as well as developing countries. However, the creation, survival and growth of small and medium enterprises in most African countries are not out of challenges particularly loan defaults (Shide, 2012).

1.2 Micro and Small Enterprises in Ethiopia

Micro and small enterprises are defined in Ethiopia with the following sectors (FeMSEDA, 2011). Micro Enterprises Industrial sector (manufacturing, construction and mining) is one which operates with up to five people including the owner and/or has total assets not exceeding Birr 100,000. On the other hand, service sector (retailer, transport, hotel, tourism, ICT and maintenance):- A micro enterprise is one which operates with up to five people including the owner and/or has total assets not exceeding Birr 50,000 (about 2,500 US Dollars). Regarding Small enterprises, it is one which operates with between 6 to 30 persons and/or has paid up capital or total assets not exceeding Birr 1.5 to 10 million and service sector enterprise is one that has between 6 and 30 persons and/or has total assets or paid up capital of Birr 500,000 (FeMSEDA, 2011).

Table 1 Level of the enterprise

Level of the enterprise	Sector	Human power	Total Asset
Micro enterprise	Industry	≤ 5	$\leq$ Birr100,000 ($6000 or E 4500)
	Service	≤ 5	$\leq$ Birr50,000 ($3000 or E 22000
Small enterprise	Industry	6-30	$\leq$ Birr 1.5 million ($ 9000 or E 70000)
	Service	6-30	$\leq$ Birr 500,000 ($ 30000 or E 23000)

Source: FeMSEDA, 2011

Addis Ababa is the largest city in Ethiopia and represents the country's greatest center of MSEs (World Bank, 2015). In Ethiopia, micro and small enterprises are given different meanings at different times and the definition given by the Central Statistics Authority (CSA), in using information analysis that is given by the Ministry of Trade and Industry is a basic applicable definition. Accordingly, the Central Statistics Authority defines small trade organizations are organizations that employ less than 10 people. Those engaged in handicraft and informal work sectors are also categorized under micro enterprises. As the name indicates, informal trade organizations are those engaged in various works without possessing trade license. The definition of micro and small trade enterprise can vary depending on the level of subsiding capacity of each country (CSA, 2019). On other hand, the microfinance institutions operate presently in Ethiopia exhibit a number of strengths in their operation.

1.3 Statement of the Problem

Challenges like capital goods and machinery collateral, marketing, attitudinal, working and sales space, licensing and registration, institutional coordination problem are main limits for   the

growth and expansion of SMEs. (Assefa, Zerfu, and Tekle, 2014). However, the loan default problem of small and micro enterprises in Ethiopia to severe lending criteria used by banks seems paradoxical (Fikirte, 2011). Because, on the one hand, only a limited number of borrowers could get credit access from the bank and, on the other hand, a considerable portion of these eligible borrowers are in default problem.

These studies were conducted at country level and limited empirical work has been done on this problem in sub-city level so far. The previous studies attempted to review the loan default at country level or aggregate level; they overlooked detailed and specific loan default features at sub city level. Most of the studies in Ethiopia such as Mikire and Milkessa (2020); Melkamu and Amanu (2019); and Mesele and Mulugeta (2019) and (Salem, 2016) mainly focused on performance and non-performance of borrowers of banks and micro finance institution.

It also necessitate the need for making an empirical investigation on the problem associated with loan default in Bole Sub City as the extent of loan default at this sub city level has been increased from 12 % in 2017 to 35 % in 2020. In addition, one study conducted in Arada and Lideta Sub-Cities showed that the problem of loan default reduces the lending capacity of a financial institution (Admasu, 2012). Consequently, as per Assefa, et al., (2014) stated clearly microfinance institutions have been inability to collect the loans as per the loan agreement or neglect to loan service. Thus, these have been a serious the problem of micro finance institutions in Addis Ababa. Loan repayment has been a serious problem of the Ethiopian microfinance industry. Numerous incidences of loan repayment problems in microfinance industry have been perceived during the last decade and MFIs default rate increased over the stated period and averaged over 27 percent (Haregeweyn, 2017).

It is generally acknowledged that credit that is put to fruitful use, results in good returns. But then again credit provision is such an uncertain business that, in addition to other reasons of wide-ranging nature, it may involve deceitful, fraudulent and opportunistic behavior. MFIs may entirely rather depend on loan recovery to have a sustainable financial position in this regard, so that they can meet their objective of lessening poverty. Whether default is random and influenced by erratic behavior or whether it is influenced by certain factors in a specific situation, consequently, needs an empirical investigation so that the findings can be used by micro

financing institutions to manipulate their credit programs for the better. It is essential to assess the detailed loan default problems of micro and small enterprises in Bole sub city, the researcher is interested to conduct the research on this topic or problem so that the lending unit could make an appropriate precaution in its lending decision as well as revise its screening criteria in order for potentially credit worthy borrowers not to be rationed wrongly, while the nation's resource will not be fruitless.

1.4 Research Questions

This study attempted to narrow the research and knowledge gap in the study area. And it also tried to answer the following basic research questions.

- What are the socio-demographic characteristics of respondents who faced loan default problems (gender, educational level, marital status and household income level and peer pressure in group based schemes) in Bole sub city small and micro enterprises in Addis Ababa City
- What is the loan default problems related to loan contract in Bole sub city small and micro enterprises in Addis Ababa City?
- What is loan default problems related to loan disbursement problems in loan default of Bole sub city small and micro enterprises in Addis Ababa City?
- What is the loan default problems related to loan collection problems in loan default of Bole sub city small and micro enterprises in Addis Ababa City?
- What is loan default problems related to business operations in Bole sub city small and micro enterprises in Addis Ababa City?

1.5 Objectives of the Study

1.5.1 General Objective

The main objective of this study is to assess loan default problems related to small and micro enterprises in Bole sub city of Addis Ababa City.

1.5.2 Specific Objectives

- To assess the socio-demographic characteristics of respondents who faced loan default problems in Bole sub city small and micro enterprises in Addis Ababa City.

- To assess loan default problems related to loan contract problems in Bole sub city small and micro enterprises in Addis Ababa City.
- To assess loan default problems related to loan disbursement problems in Bole sub city small and micro enterprises in Addis Ababa City.
- To assess the loan default problems related to loan collection problems in Bole sub city small and micro enterprises in Addis Ababa City.
- To assess the loan default problems related to business operations in Bole sub city small and micro enterprises in Addis Ababa City

1.6 Significance of the Study

It is expected that the findings of this study may be important to various organizations and institutions or stakeholders. Various organizations including government and Micro Finance Institutions provide financial services which are intended to fulfill the financial gaps of the poor that have not considered by other commercial banks to access credits on their demand. First, to MSEs and MFIs, bearing in mind the fact that, the ultimate objective of these institutions are providing financial services to improve the loan contract, collection and disbursement situation at sub city level. For these institutions, this study will help to solidify their loan services and consequently improve their financial performance of MSEs and MFIs at large. Second, this study is also anticipated to be of value to the borrowers. This study will enlighten to assess the socio economics characteristics of defaulters of loan default problems of Bole sub city small and micro enterprises in Addis Ababa City. Most borrowers have limited financial experience and therefore are exploited by ineffectual or dishonest lenders. Next, this study will provide appropriate clues for a better debt collection to protection the wealth it is invested. Finally, this study may also act as a valuable resource for those who would be undertaking research on loan default problems that will include institution and socio-economic issues. The study will also contribute to existing body of literature and form a basis for further research.

1.7 Scope and Limitation of the Study

1.7.1 Scope of the Study

The scope of the study is divided into three parts such as geographical, conceptual and methodological. First, this research was conducted in Addis Ababa and the study is restricted activities such as loan collection and disbursement challenges in the indicated specific

geographic location. Next, this study focused on socio-demographic factors in terms of gender, educational level, marital status and household income level and peer pressure in group based schemes and institutional factors in terms of lender side are high-frequency of collections, tight controls, and a good management of information system, loan officer incentives and good follow ups as well as the size and maturity of loan, interest rate charged by the lender and timing of loan disbursement that exaggerated loan default problems of small and micro enterprises in Bole sub city of Addis Ababa City. Finally, this study used information from limited sampled of MSEs and female and male owners and managers involved in the sector in the study areas. Data were collected from MSEs and businesses across the surveyed sub city using descriptive research design.

1.7.2 Limitation of the Study

There are several limitation factors of this study. First, the busy schedule of the respondents were the main challenge, more so owners who are mostly busy in handling their businesses were not be available for data collection and interviews. Accessing the owners and managers were therefore a challenge. The management at times referred the duty of answering the questions to their assistants or other activities. As this study is related to financial issues particularly loan, some of the respondents were opposed to sharing critical information associated to the study. Some become a little hesitant though the researcher plans to persuade and positively influence them by stating clearly the objectives of the research. Hence, it may not be representation of the whole preference of loan default and financial issues of the targeted respondents. This study is not entirely combined demographic, social and psychological data and study financial decision making. Even if these dimensions helped to explain MSEs financial system, this study selected suitable variables that determine the most appropriate loan default factors.

1.8 Organization of the Thesis

This research involves in to five chapters. Chapter one contains background of the study, statement of the problem, objectives of the study, research questions, significance of the study, scope and limitation of the study. Chapter two deals with literature review. Chapter three deals with research methodology, Chapter four deals with analysis results and discussion chapter five Conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Literature Review

2.1.1 Concept and Definitions

2.1.1.1 Loan Concepts and Definitions

Defaulting on a loan means that we have failed to make sufficient payments for an extended period. Lenders will deem a loan in default when we haven't paid the minimum required payment for a certain number of months in a row, as detailed in our loan contract. According to Gibson and Vander Vaart (2008), credit default is defined as the late payment of a debt obligation, so a bank can apply a penalty "default" interest rate between the due date and the actual payment date. It can also mean something as serious as a bankruptcy or insolvency where the lender initiates a recovery process to limit loss from a collateralized loan.

The researcher also remark two concepts of delinquency and insolvency which underlie mostly the definitions of credit default; Delinquency is defined as a failure to meet a loan payment by a due date, whereas insolvency is defined as a situation where assets are less than liabilities. This study points out a delinquency is not only factor for lack of loan repayment; also there may be a situation that assets are less than liability.

According to Mukono (2015), a delayed installment is said to be delinquent and a repayment that has not been made is said to be in default. Default on borrowed funds could arise from unfavorable circumstances that may affect the ability of the borrower to repay (Mukono, 2015).

Delays of repayment lead to two ominous effects for financial institutions, which include non-refinancing of a large number of safe borrowers and the collection of late installments by the loan officer driving to an increase of its loads without compensations in resources. In addition, because of the delay of a member, other members will be incited then to delay their repayment and even to negotiate with the institution the possibility to abandon the last part of the loan (Mukono, 2015).

2.1.1.2 Definition of Small and Micro Enterprises

Micro and small enterprises have different meaning from country to country, or there is no commonly accepted definition. As cited in article of Shantanu, & Londhe (2014). Microenterprises are often defined differently, counting on country's stage of development, policy objectives, and administration.

Table 2 Micro and Small Enterprises Level

Institution	Maximum No. of Employees	Maximum Revenues (USD)	Maximum Asset (USD)
World Bank	300	15,000,000	None
Inter-American Development Bank	100	3,000,000	None
African Development Bank	50	None	None
Asian Development Bank	No official definition. Uses only definitions of Individual National Governments	No official definition. Uses only definitions of Individual National Governments	No official definition. Uses only definitions of Individual National Governments
United Nations Development Bank	200	None	None

Institution	Enterprise	Sector	No of Employee	Amount of Capital
FeMSEDA	Micro-enterprise	Industry	<5	<ETB 100,000
		Service	<5	<ETB 50,000
	Small-enterprise	Industry	6-30	< ETB 1,500,000
		Service	6-30	< ETB 500,000

Source: Gibson and Van der Vaart (2008) and FeMSEDA (2011)

In the majority of countries, Micro and Small sized enterprises (MSEs) are defined as firms employing between 10 and 250 people. Firms with up to 10 employees are usually mentioned to as micro firms. There is, however, no commonly agreed definition of what micro firms and SMEs are. They are mixed by naturally, starting from producers of non-tradable services to "born global" suppliers of digital products, top quality artisanal goods or sophisticated instruments. Also, world trade organization describes SME acronym as – "small and medium-sized enterprise" – is employed in most contexts as the generic term to qualify all enterprises that are not large. Usually agreed definition of SME (business entities) some of the commonly used criteria are the number of employees, value of assets, and value of sales and size of capital or turnover. The criterion for defining MSEs can be the annual revenue, asset value or the number of employees (Gibson and Van der Vaart, 2008).

2.1.2 Theories Related to Loan Default

Financial and accounting frameworks follow provisions of existing loan default theories. This part sets out important loan as derived from financial theories are incorporated.

2.1.2.1   Agency Theory

It   is delineated as associate   degree agreement   between two   or additional half wherever one part square measure usually seen as a result of the investors and so the opposite as a result of the firm. Agency theory is all regarding the connection among the organization owner(s) and its prime management (Changwony & Rotich, 2015). In company variety of organizations the highest management   manages the   complete organization   on   behalf   of   the house owners as associate degree agent and that they will apply their power for private advantages. Consequently, it's indisputable to watch and follow up external bodies like defaulters' activities of the organization shield to (guard to) the advantages of the organization (financial viability or protect   from   associated   loss house   owners from   such thieving (Fikirte,   2011).   Thus, borrowers should perform their activity effortlessly and to perform their activity skillfully, they need to have the power to form well-justified judgments, and business expertise others. Thus, agency   theory is additional relevant to   debate the   issues that arise   between prime managers and house owners of a company and others.

Parties ought to maximize their self-interest however usually they are doing not have constant interests. The idea will make a case for however annual reports likewise as defaulters reports which will be used as a mechanism to unravel the knowledge imbalance that exists between the firm and its investors. Additionally, it may be aforesaid that much better understanding of a report can cause that more investors dare invest within the firm that in accordance with can cause raised liquidity and lower prices of capital inside the firm. Thus, this study is taken into account this theory to higher than advantages and to cut back defaulters and to draw in additional business house owners, investors et al that cause additional equity that, in turn, reduces the necessity of liabilities.

2.1.2.2 Institutional Theory

This theory clarifies regarding institutional pressures consequence on financial as well as organizational structures and practices. Institutional pressures will embrace external or internal sources that enclosed three institutional pressures coercive, normative, and mimetic (Abu-Azza, 2012). Institutional theorists take into account organizations as members of associate degree structure field that contains many organizations or industries that square measure reticulate in how. Arena & Azzone, (2006) indicate that institutional theory provides a way of understanding the conformist and legitimating processes that have an effect on the event of economic problems and that they square measure social structures that have earned a high degree of resilience.

This study signifies by the theory as it focused on institutions result from 'structuration' and structures are rules and resources that enable functioning of social systems. Loans are also provided to enhance organizations whether they are small or large without a limited set of organizational goals (Abu-Azza, 2012). Institutional theory recognizes the influence of institutions on many levels of social life, including organizations, organizational fields, and countries (for a comprehensive review. Institutions are social structures and practices that have become widely accepted. Money, a common language, a unified legal system are all examples of institutions which influence behavior routinely and almost universally by providing organizations with scripts for acceptable action in a given context. This theory is considered in this study as it establishes characters for what is socially acceptable and credible and influence organizations to act in a manner that demonstrates legitimacy to external elements.

2.1.2.3   Adverse Selection and Moral Hazard Theories

Adverse selection generally arises when an individual has hidden characteristics—characteristics that she knows but that are unknown by the other party in an economic transaction. Adverse choice refers to a scenario wherever a variety method leads to a pool of people with economically undesirable characteristics. The adverse selection theory rests on two central assumptions that include lenders cannot distinguish between borrowers of different degrees of risk, and that loan contracts are subject to limited liability (if project returns are less than debt obligations, the borrower bears no responsibility to pay out of pocket). Credit rationing is approximately defined as a situation where the demand for loans exceeds the supply of loans at the going interest rate. Differing kinds of credit parceling are examined within the literature. The adverse selection hypothesis is related to quality borrowers may provide more collateral to obtain loans with lower interest rates through signaling their superior credit quality (Gathoni, and Sayeed, 2014). They argue that both the adverse selection can be validated depending on the degree of information asymmetry in the loan market.

On other hand, moral hazard is the problem that arises in the credit market when lenders fail to discern the actions of borrowers. It can also arise in credit markets when the behavior of the borrower is influenced by the terms of the loan contract (Abu-Azza, 2012). Loans that represent an oversized proportion of the assets in most banks' portfolios are comparatively illiquid and exhibit the very best credit risk. Adverse choice and ethical hazards have crystal rectifier to substantial accumulation of non-performing accounts in banks. The terribly existence of banks is commonly taken in terms of its superior ability to beat 3 basic issues of knowledge imbalance, specifically ex ante, interim and ex post. In general, the management of credit risk in banking industry follows the process of risk identification, measurement, assessment, monitoring and control. It involves identification of potential risk factors, estimate their consequences, monitor activities exposed to the identified loan defaults and put in place control measures to prevent or reduce the undesirable effects (Gathoni, and Sayeed, 2014).

2.1.2.4   Asymmetric Information

The theory of uneven information argues that it should be not possible to differentiate sensible borrowers from unhealthy borrowers, which can lead to adverse choice and ethical hazards issues. Uneven information exists between lenders and borrowers, banks should have a mechanism to confirm that they are doing not solely value default risk that's unknown to them ex-ante so as to avoid adverse choice, however conjointly which will evolve ex-post so as to avoid ethical hazards. Uneven info affects several alternative social control choices, together with hiring employees and provision credit to customers (Admasu, 2012). Within the specific context of credit markets, uneven info is sometimes connected with equilibrium credit parceling. However uneven info can also encourage relationship banking; that is continual catching wherever banks invest in getting customer-specific info, typically proprietary in nature (Gathoni, and Sayeed, 2014). Relationship banking primarily permits the activity of refined, non-contractible information; it thereby greatly expands the set of possible contracts.

2.1.3 Loan Default in Small and Micro Enterprises (SMEs)

The contribution of small and micro enterprises (SMEs) to employment, growth and property development is currently wide acknowledged. Their development will deepen the producing sector and foster fight. It also can facilitate reach a lot of just distribution of the advantages of economic process and thereby facilitate alleviate a number of the issues related to uneven financial gain distribution (Admasu, 2012).

Credit markets is also either of formal or informal ones. Relating to little businesses in low developing countries, the foremost supply of finance up to now is informal sector. The likelihood of default of little scale enterprises credit from informal market is low as a result of informal money markets area unit a lot of nearer to their shoppers and potential shoppers, and thru gossip and daily contact they're rather more alert to their activities than a proper banker would ever be, therefore they understand the risks they're exposed to. Then again, small-scale credit theme from formal money markets has knowledgeable a high rate of default in several developing countries. Banks in these countries hold a very forbidding volume of non-performing loans (Abraham, 2002).

There are huge differences, in terms of loaning practices, between formal, informal and semi-formal money establishments in developing countries. Consequently, whereas the formal sector seems to possess a comparative advantage over the informal sector in intermediating funds over house and reaping scale political economy, it looks to fare worse in social control and knowledge issues. A lot of typically, screening of borrowers, incentives to make that borrowers take those actions that make repayment most likely, and adequate social control mechanisms take issue between varieties of lenders. A really vital feature of the mechanism of credit markets in developing countries is that the risk of default, and therefore the actions that lenders desire improve compensation rates (Gathoni, and Sayeed, 2014).

Even there is argues that acceptive unnumerable ways in which during which lenders manipulate and lower the default risk is that the key to explaining a number of the most options of informal credit markets. The chance of default can alter per who provides the loan. For example states that default risk differs for cash lenders, business banks, cooperatives and/or a governmental credit agency, suggesting that default rates can increase from the primary to the last on this list. Whereas many theoretical studies modify these problems, few have provided empirical proof (Abraham, 2002). On alternative hand, little scale enterprises possess shallow management, typically with very little expertise and training; they are sometimes monolithic, one product corporations, they're generally new businesses, with very little journal, and poor money recording; they will have a brand new unproved product; they need very little to supply by method of security to a lender; they will be reluctant to lift outside equity capital for reasons of expense, loss of management and enlarged revealing necessities (Gathoni, and Sayeed, 2014). These characteristics of small-scale enterprises offer very little incentive for any aggressive loan recovery mechanisms. There are a unit people who argue that the failure of loaning agencies in taking part in their roles in loan disbursement and recovery method may be a major contribution to loan default. They contend their read that determinative credit good needs investment of your time and resources to judge firm specific and trade wide variable, structural or rotary, by analysts with specific skilled skills. A blunder on the analysis of the borrowers' characteristics or the introduction of inappropriate loan conditions might increase the full risk of the group action (Admasu, 2012).

A non-economic obstacle concerning the failure of banks lies within the risk adverse angle of loan officers. It unconcealed that money repression and credit apportionment encourage inexpert loaning practices like collusion and corruption. He has found that inexpert practices cause high default rates, thereby increasing risk. Taking care of this issue is a lot of vital in development banks wherever responsibleness of loan officers is usually a retardant (Abreham, 2002). He additional argued that the political framework, that affects credit systems from the coming up with stage to the recovery stage, is central to the reason of the poor performance of small-scale credit systems.

For small and micro enterprises to develop to medium and large-scale level, the requirement for formal credit supply is indispensable as a result of formal money sector have the money capability to fulfill their growing credit demand, that the informal sector is incapable to produce. Their major supply of finance, particularly at the beginning up stage, is that the informal sector (i.e. from friends, relatives, native cash lenders and so on). This poor credit access from formal money supply, supported the expertise of some developing countries, arises part from biased government policy, because of the operational practices and procedures of the formal money establishments and therefore the internal issues of little and small enterprises themselves (Fikirte, 2011).

2.1.4   Causes of Loan Default

The primary causes of high arrears in India, as an example, square measure the speedy enlargement of loaning in response to government pressures to realize mandated credit disbursement targets. He listed the subsequent as causes of loan default: a) Failure to tie loaning to productive investment; b) Neglect of selling and linking credit recovery to the sale of the product; c) Defective loan policies, delayed loan disbursement, an excessive amount of or deficient credit and unrealistic reimbursement schedules; d) Misapplication of loans; e) Ineffective supervision; f) Indifference of bank management with relevancy convalescent loans and g) Lack of responsibility and discipline on the a part of recipient (Abreham, 2002).

This poor credit access from formal money supply, supported the expertise of some developing countries, arises part from biased government policy, thanks to the operational practices and procedures of the formal money establishments and therefore the internal issues of little scale

enterprises themselves. Expertise from African nation, India, East Pakistan showed that little entrepreneurs square measure at risk of default. Typically they create willful default; social control ability is poor, they don't keep accounts and it's thus troublesome to watch their operation by the money establishments. The absence of plans to manage risk resulted in its poor management by lenders, change of integrity the prices of improper loan size. Small enterprises additionally face worth and production risks that ought to be factored into loan selections. MFIs additionally tend to charge their customers higher interest rates so as to compensate higher prices enclosed reduced attention to borrowers, moving on risk curve, increasing loan size increase loan default, lenders lack adequate arrange manage risk, lenders unwilling to gather loan on time, loan sanctioned by corruption, lack of fine models and weak follow up weaken the system.

Fikirte (2011) declared that default borrowed funds can be voluntary and involuntary. Involuntary default borrowed funds might arise from unfavorable circumstances that will have an effect on the power of the recipient to repay. On the opposite hand, voluntary default, whereby a recipient doesn't repay though he/she is ready to try and do thus. Therefore, the investor should understand the causes and therefore the attainable solutions of default. the foremost common reasons for the existence of defaults square measure the following: if the MFI isn't serious on loan reimbursement, the borrowers don't seem to be willing to repay their loan; the MFI staffs don't seem to be accountable to shareholders to form a profit; clients' lives square measure typically filled with unpredictable crises, like malady or death within the family; if loans square measure large for the money desires of the business, further funds might go toward personal use; and if loans square measure given while not the right analysis of the business.

2.1.5   Loan Procedures

According to ADB (2003), the loan procedure computes the loan parameters and outputs the loan outline info for every loan. Multiple loans may be processed and compared in terms of economic criteria like after-tax or before-tax gift value of value and true rate of interest, breakeven of periodic payment and of interest paid, and outstanding balance at totally different periods in time. The loan procedure permits varied payment and combination intervals (including continuous compounding) and uniform or payment prepayments for every loan. Down payments, discount points, and different low-level formatting prices may be enclosed within the loan analysis and comparison.

ADB (2003) the loan merchandise among MFIs in Federal Democratic Republic of Ethiopia typically follow the Grameen model with some slight variations. Most of the MFIs have two styles of loan merchandise, specifically loans for on-farm activities, that square measure due in four to twelve months, and off-farm investments with a lot of versatile repayments on weekly or monthly basis. There square measure two styles of savings offered by MFIs, specifically required, that acts as collateral and can be withheld by the MFI just in case of default, and voluntary savings that the individual will withdraw at any time. Required savings square measure the foremost common and also the rate of interest on savings is regarding 6% each year. Interest rates vary among MFIs starting from 12.5% to 15% each year, additionally to a loan application fee of regarding 2%. one in all the a lot of common needs of most MFIs is to encourage savings amongst the purchasers in order that they develop associate degree perspective of savings initial and borrowing thereon quantity, and additionally to empower them, within the future, to be freelance of borrowing from external sources. Savings demand additionally represent a style of collateral and permit the MFI to recover a minimum of a tiny low a part of their outstanding loan just in case of default.

CLEP(2006) states that; Among the MSE support framework, the strategy focuses on making associate degreed implementing associate degree facultative legal framework additionally as on streamlining restrictive conditions by establishing an user friendly surroundings for the simplification and standardization of documents like business registration and licensing; money and loan application; getting and sub-contracting (tender) document; export documentation and different industrial documents; registration of contracts with municipalities; authentication of contracts at notary public; and simplified tax declaration forms for tiny businesses. different specific support areas and programs within the strategy embody the facilitation of access to finance; incentive schemes; encouraging partnerships, coaching in entrepreneurship, skills and management; facilitating access to applicable technology, access to promote, access to info and recommendation, access to physical infrastructure and also the institutional strengthening of personal sector associations and chambers

2.2 Empirical Literature

2.2.1 Global Perspective

Nancy and Mohamed (2014) studied on loan repayment problems in microfinance programs that use individual lending approach using a qualitative analysis. They identified the determinants that influence the loan repayment in developing country. They found out that personal characteristics such as education level, family size, amount of loan applied and business experience of the respondents are the main loan default problems and age, charge per unit and alter in gender had associate degree inverse relationship to loan compensation. On other hand, Nawai and Shariff (2013) used literature review to analyses the loan default problems in microcredit programs and they state that repayment problems become the main obstacle for the microcredit establishments to continue providing microcredit services. Their study additionally discloses that determinants of compensation performances in small credit programs are often divided into four factors particularly recipient characteristics, firm characteristics, loan characteristics and investor characteristics. Al-Mamun, Wahab, Malarvizhi and Mariapun (2011) examined loan problems and they found that borrowers' level of education, income from other sources, and business experience, business factors, borrowers' attitude towards their loans, other debt burden, and amount of loan received, and household size are the main problems. The research further revealed that business factors such as business loss and failed are the main reasons why borrowers cannot payback their loans on time. Besides, the borrowers' attitude towards their loan is also the reason why cannot payback their loan on time.

Shu-Teng, Zariyawati, Suraya-Hanim, and Annuar (2015) assessed the loan default problems in of Small Medium Enterprises in Malaysia. They used descriptive analysis to summarize and describe the sample characteristic of the respondents while disclosing the general pattern of the response and they try to found out the determinants of loan compensation performance of little Medium Enterprises by victimization nine(9) variables grouping in to four .Those area unit recipient characteristics (age of borrowers, gender of borrowers, and academic level of borrowers); business characteristics(total sales generated and business experience in months); loan characteristics(amount of loan borrowed and loan tenure or loan term); and lender factors (monitoring and training). In their finding they pointed that borrower's characteristics (education level), business characteristics (business experience) and loan characteristics (amount

18

of loan and loan tenure) have significant effect on the loan repayment performance of small and medium enterprises.

Ann (2015) examined the determinants of loan repayment by small and medium Enterprises in Nairobi country, Kenya. Using stratified sampling methods and analyzed using the descriptive statistical tools and inferential statistics, this study found that loan repayment status has a weak positive association with firm and borrower characteristics and the loan and lender characteristics have a weak unattractive relationship with loan repayment status by small and medium enterprises. This study publicized that firm characteristics (ownership structure, type of firm , firm location , firm size, age of the business, registration status, profitability , asset ownership ,type of business e.g. partnership, sole proprietor etc. and type of business activity) and borrower characteristics (age of borrower, gender of the borrower, level of education , business experience, household size , credit use experience, household income, non- business income, type of business activity, amount of business investment, Borrower's attitude and Family background) are the main problems that related to loan repayment by small and medium enterprises.

2.2.2 Evidences from Developing Countries'

Gathoni and Sayeed (2014) investigated the loan repayment problems in small scale enterprises in developing countries. This study was conducted with the target of characteristic the key determinants of loan reimbursement in little Scale Enterprises (SSEs) with specific relevancy SSEs in one among Kenya's most dynamic informal business hub, Kariobangi Division in capital of Kenya. Using descriptive statistics, this study found that personal characteristics such as education level, family size, amount of loan applied and business experience of the respondents have a positive relationship to loan repayment and age, interest rate and change in gender had an inverse relationship to loan repayment. On other hand, Samwel and Kevin (2016) assessed on the loan repayment for PRIDE microfinance institutions in Arusha, Tanzania. Using descriptive analysis, this study found that client' characteristics (age, gender, and level of education), nature of business (business type) and loan characteristics (repayment period, repayment mode and repayment amount) were loan default problems. They showed that borrowers age of 40 years and above had loan repayment problems and higher financial commitments to family could be the reason. Also the lending policies and procedures being used by the lending institution and loan

administration (loan size and Credit Officers experience) which constituted for loan default problems. Lack of business knowledge was another factor cited by clients which leads to low productivity hence failure to have enough fund to repay their loans. Similarly, Wafula (2016) assessed loan repayment problems by borrowers in Nakuru Country Kenya. He revealed that education level, income level and age have negative coefficient but significant determinants of loan repayment. The researcher employed a descriptive analysis and the results displayed that many borrowers have low education levels and yet they are associated with loan repayment better than those educated counterparts and as income level increases loan repayment decreases (Lower income borrowers repaid loans than higher income borrowers). Also Youths are associated with loan repayment than their old counterparts.

2.2.3 Evidences from Ethiopian Studies

Reta (2011) analyzed and identified loan repayment problems of the beneficiaries of Addis Credit and Saving Institution (ADCSI) - a microfinance institution in Ethiopia. He seen that age and 5 business sorts (baltina and petty market, stall and look, services providing, weaving and craft and concrete agriculture) were important in influencing loan compensation performance of the receiver. In addition, sex and business experience of the respondents were found to be significant determinants of loan repayment rate. Brehanu and Fufa (2008) assessed loan repayment problems by using 17 variables. Out of these seven variables were found to meaningfully stimulus the repayment default. These were land holding size of the family, agro ecology of the world, total ethereal holding, variety of years of expertise, variety of contacts, sources of credit and financial gain from off farm activities. The remaining variables (family size, distance between highway and manage residence, purpose of borrowing, loan quantity and expenditure for social festivals) were found to own insignificant result on loan compensation performance of husbandman farmers.

Yilkal (2015) studied on women's effectiveness in use of Microfinance and Microcredit services; Jimma Zone, Southwest Ethiopia. Loan repayment factors included family size of the household and health status of the respondent. Whereas, the age of the receiver, education level of the respondent, expertise of the receiver, celebrating of social ceremony, monthly expenditure, application of machinery, installement amount and loan size variables aren't the most loan compensation obstacles. He suggested that microfinance establishments ought to offer due

attention on the family size of the respondents, distance from the credit supply and health standing of the respondents before applying the disbursement of the loan.

Tolosa (2014) revealed that the age of respondents negatively and significantly determines the loan repayment performance of borrowers. Hence, education level and time laps between loan application and disbursement were the main factors influencing borrowers' loan repayment. Whereas age of respondents, loan size, loan diversion, repayment period, number of dependents within and out household, training, and supervision and advisory visits are not the main problems. Abreham (2017) determined that financial gain from alternative sources, observation utilizations of alternative members during a cluster, credit timeliness, compensation time quality, compensation trend on monthly basis and coaching adequacy square measure found important and completely influence loan compensation performance of borrowers. Whereas loan utilization for the intended purpose, repayment trend on irregular basis and visit & follow-up on irregular basis were not found the problems related to the repayment performance of borrowers. Also he revealed that Male borrowers in a given enterprise were found to be more defaulters than females although they have relatively higher utilization rate of the loan for the intended purpose as compared to that of females (as opposed by Fikirte 2011). Fikirte (2011) inspected the determinants of loan compensation Performance of Addis Credit and saving establishment borrowers within the capital of Ethiopia, Ethiopia. Consequently, the study showed that out of eleven instructive variables, eight variables were found to be necessary issue for the chance of being defaulter, that is age and each one 5 business kinds (baltina & petty market, kiosk & shop, services providing, weaving & tailoring, and urban agriculture) were important in influencing loan repayment performance of the borrower. In addition, sex and business experience of the borrowers were found to be significant determinants of loan repayment rate. Nevertheless, the remaining explanatory variables namely, education level, family size, and dependency ratio had no significant effect on the probability of being defaulter using descriptive statistics analysis.

On other hand, Gobena, Geleta (2018) assessed the determinants of loan compensation performance of small and tiny enterprises: the case of Oromia credit and saving share company branches below Oromia special zone around capital of Ethiopia. This study utilized descriptive analysis style with quantitative and qualitative strategies. This result indicates that out of 18 predicting variables used in this study 11 variables were found the main significant and out of

these variables, group leader's education level, Training offered by the loan officers, loan follow up or loan supervision, market accessibility and technology advancement were positively influence loan repayment while loan interest rate, internal rules and regulations , loan accessibility (the prospect for added loan), lack of cluster leaders expertise in business, enterprise size and enterprise cluster formation were negatively influenced the loan compensation performance of MSE's sectors within the study space. In addition, the borrowers who attained higher level able to pay better than the borrowers who were in lower level schooling. The upper level of market access results the upper likelihood of obtaining profit and therefore the bigger level of enterprises loan compensation performance. This study advised MSE should work hard to have market demand by Preparing of different market exhibitions which help enterprises to get market access and market linkages for their products and services as well as share good habits of work among them that leads enterprises to sustain in the business.

2.3   Summary and Research Gap

As discoursed in the above empirical related literatures review different authors were conducted a study both inside and outside of the country on loan default and repayment problem of MSEs. Of these studies Reta (2011) found there is a difference among age, business types, sex and business experience on loan default problems. Brehanu and Fufa (2008) found land holding size of the family, agro ecology of the realm, total farm animal holding, range of years of expertise, range of contacts, sources of credit and income from off farm activities are the main problems. Yilkal (2015) found the age of the receiver, education level of the respondent, expertise of the receiver, celebrating of social ceremony, monthly expenditure, application of machinery, installement period and loan size variables are not the main loan repayment obstacles. Tolosa (2014) conducted a study on loan repayment determinants in Ethiopian Micro Finances and he revealed that age of respondents, loan size, loan diversion, repayment period, number of dependents within and out household, training, and supervision and advisory visits are not the main problems. Abreham (2017) found that loan utilization for the intended purpose, repayment trend on irregular basis and visit & follow-up on irregular basis were not found the problems related to the repayment performance of borrowers. Thus, the studies indicated that loan defaults problems could be differ based on business type, business environment, business location, loan factors and socio economic factors. So conducting further study on loan default problems in

MSEs by analysing their socio economic and institutional factors and by including all MSE sectors might provide an additional solution for the gap and might help to improve their lending strategies.

From the consulted previously conducted researches, detailed studies related to loan default problems of small and micro enterprises in Addis Ababa or sub city level are rare. As per knowledge of the researcher, in Ethiopia's context, loan repayment has been addressed by few studies such as determinants of loan repayment performance and efficacy of screening mechanism in urban Ethiopia the case of Southwest Ethiopia by Yilkal (2015) and Loan repayment and its determinants in small scale enterprises in Ethiopia (Abreham, 2002). The studies are discussed about Loan repayment performance. Hence, this research attempted to look deeply in to the raised issues and look in to the problem critically and finally propose applicable solutions and the aim of this study is to fill the gap.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Descriptive of Study Area

Addis Ababa divided in to eleven sub cities, Bole sub city is one of the eleven sub cities of Addis Ababa City Administration Bole sub city, placed at the eastern part of the city, is also an expansion area divided in to 15 woredas. Bole is a local business and tourist hub in Ethiopia dominated by low and medium class habitat. This business, entertainment and luxury facility area is demarcated bystreets and surrounded by low-income residential areas comprising mid-rise apartment buildings and slum dwellings. These collective entities currently spread in the largest area of the Bole sub city.

3.2 Research Design

Research design stands for advance coming up with of the strategies to be adopted for collection the relevant information and also the technique to be employed in their analysis. Additionally, it allows describing both qualitative and quantitative approaches (Kothari, 2004). Consequently, from differing kinds of analysis styles, descriptive sort of analysis style was used for the belief of supposed objectives. On the other hand, the most widely-used classification is the one based on the purpose of the study. There are three types of research design based on the study's purpose: exploratory, descriptive and causal (Creswell, 2003). The alpha study provides a lot of insight and ideas to get the real nature of the problem below investigation. Descriptive study stems from previous data associate degreed cares with describing specific phenomena; it's a method to associate degree finish instead of an end, since it encourages future clarification. Causative or informative analysis explains causative relationships between variables. Because of this, the research was conducted to identify loan default problems in terms of socio economic and intuitional factors. It also described specific loan default occurrences at sub city level.

3.3 Research Approach

Creswell (2003) classifies research approaches as qualitative, quantitative and mixed. There is a tendency to divide research in to qualitative and quantitative when approach to research has been considered as the criterion of classification. Qualitative research approach also used to identify

results to be best understanding the research problem. Quantitative research design is used in situations where there are predetermined instrument based questions, performance data, attitude data and observational data (Creswell, 2003). This used descriptive statistics such as percentage, mean and standard deviation and described various aspects about loan default problems in the surveyed sub city with its perceived business decision and society welfares. This study applied qualitative and quantitate research approach on that it identified loan default problems at sub city level.

3.4 Data Source and Type

In this study, it took a primary data that was ready for analysis and described the problem raised in the statement of the problem. Primary data was originated by the researcher for the specific purpose of addressing the problem at hand. Thus, the primary data was originated by the researcher for the specific purpose of addressing the problem that was indicated in the first chapter.

3.5 Population and Sampling

3.5.1 Target Population

According to Addis Ababa City Administration Bole sub city Small and Micro Enterprises Development Bureau, the total number of small and micro enterprises in Bole sub city is believed to be around **3,428 (Three thousand four hundred twenty eight)** in number on December, 2020**.** Those MSEs are engaged in manufacturing, construction, urban agriculture, in service and in trade sectors.

3.5.3 Sample Size Determination and Sampling Technique

The sample size selected here is considered as representative of manufacturing, construction, Urban-Agriculture, service and trading sector and is large enough to allow for precision, confidence and generality of the research findings. The following formula as used for the calculation of the sample size since it was relevant to studies where a probability sampling method was used. Given the total population of the study, a simplified scientific formula provided by Yamane's formula for sample size determination stated that a simplified formula to calculate sample sizes. That is: -

$$n = \frac{N}{1 + N(e)^2}$$

Where: - n is – Sample size

N is Total population

e = used 5% sampling error and 95% confidence level.

The sample size calculated by:-

$$n = \frac{3428}{1 + 3428\,(0.05)^2}$$

$$= 3{,}428/\,(1 + 3{,}428(0.05)^2)$$

$$= \underline{358}$$

Accordingly, 358 respondents were selected randomly from 358 MSEs. The respondents were selected from each sector (stratum) on proportional basis.

In addition, the researcher used probability sampling techniques. From the probability sampling stratified sampling was used for sampling members of small and micro enterprises. First, this study used stratified random sampling technique and then it used convenient sampling. Convenient sampling method was adopted because it is the most accessible method for reaching the respondents easily. Stratified random sampling is a sampling procedure that sub samples are drawn within different strata; each stratum is more or less equal on some characteristic. The correct sample size in a study is dependent on the nature of the population and the purpose of the study. Although there are no general rules, the sample size usually depends on the population to be sampled (Catherine, 2009).

Table 3 Sample Size Determination

Type	Number	Proportion (358/3428)	Sample Size
Construction	645	0.10443407	67
Manufacturing	588	0.10443407	61
Trade	635	0.10443407	66
Service	1075	0.10443407	112
Others Private	485	0.10443407	51
Total	**3428**		**358**

Source: Bole sub city

3.6 Instruments of Data Collection

3.6.1 Questionnaire

358 questionnaires were distributed to bole sub city MSEs who have been engaged in construction, manufacturing, trade, service and other private businesses. Questionnaire was prepared and distribute to targeted respondents listed above. The questionnaire was adapted from Gathoni and Sayeed (2014). The questionnaire included both open and closed ended questions, As closed ended questions, it included a questions that were rated on a five-point Likert scales ranging from '1' "Strongly Disagree" to '5' "Strongly Agree". In addition, Open-ended questions were questions that allow someone to give a free-form answer. These tools used in order to increase the validity of the data and minimize dropping of information.

3.6.2 Interview

Interview guide or checklist was used for issues that require further elaboration and clarifications loan default problems from the major stake holders in legislating and implementing financial policies. Ten interviewees were conducted with MSEs experts and MFIs from Bole sub city.

3.7 Instruments Validity and Reliability

3.7.1 Instrument Validity

Content validity of a measuring instrument was used to see if the extent to which it provides adequate coverage of the investigative questions guiding the study. In this study, content validity was determined by consulting the expertise of the MSE's supervisors and two financial experts. These experts and the research advisor looked at every question in the questionnaire and do their own analysis to ascertain that the questions answer research objectives of the area understudy. Recommendations (to continue with the instrument with some correction) from the experts were taken into consideration in order to improve the instruments. A pilot survey was conducted on minimum of 12 respondents prior to administrating the questionnaire to the selected sample size. The pilot survey was undertaken to check if the questionnaire is easily understandable and straightforward to ensure that the respondents can answer the questions without difficulty.

3.7.2 Instrument Reliability

Reliability may be a live of the degree to that a research instrument yields consistent results or information when recurrent trials. The aim of derivation a scale score by having multiple things is to get an additional reliable live of the construct than is feasible from one item. Therefore, Cronbach's alpha offers the proportion of the entire variation of the dimensions scores that's not as a result of random error.

3.8 Data Analysis Methods

The data collected through survey questionnaire and interview was analyzed using descriptive analysis and chi square. The findings were bestowed as per the various categories shown below. Nonetheless, using SPSS, significance level constantly determined a priori as a rule set at the 0.05 level. Then the decision will be the following: if $p > 0.05$ then accept the null hypothesis. In addition, Percentage, mean and standard deviation were used in the analysis. Accordingly, the percentages show the frequency distribution of the variables, the composite mean value shows the average of all respondents' perceptions on a certain questions. While, variance shows however numerous area unit the perceptions of respondents for a given queries. In this regard, deviation means that the data are wide spread, which implies respondents give variety of opinion while, low standard deviation implies respondent's close opinion whether positively or negatively. Based on these, the result mean score value and standard deviation of the study

determined using rule of thumb that pertaining to the intervals for breaking the range in measuring variables that are captured with five point scale (that ranges from strongly disagree to strongly agree), which is actually found by dividing the difference between the maximum and minimum scores to the maximum score (Yilkal, 2015). Besides, chi square were quested to test if there are differences among socio-economic factors for loan defaults of small and micro enterprises in Bole sub city of Addis Ababa City

3.9 Ethical Consideration

This study kept standard research ethics and practices that included basic ethical codes of conduct throughout the research process. The info was collected supported the temperament of participants. Before actual data collection based on interview guide, respondents were informed about the objectives of the study. Covering letter was attached to the interview guide to ensure the participant's anonymity and confidentiality that information obtained from them disclosed to the third party. The questionnaires were designed out in such a way that respondents are not required to write the names and reveal their personal information on the questionnaire and the confidentiality of data being collected is handled with due care and used for academic purpose only. Moreover, the study provides anonymity that means the information from the respondents were kept confidential and not biased for any other personal interest. The interview also was presented in terms of data coding methods like respondent one two and three structures.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION AND DISCUSION

4.1 Introduction

This part of the study presents the data presentation, analysis and discussion part which contains research analysis techniques and demographic profile of respondents.

4.2 Response Rate

The study attended 76 % of responses rate as 273 questionnaires were properly returned out of 358 distributed questionnaires. A total of three hundred eighty four (358) questionnaires had been distributed to the respondents, out of which 273 were completed and returned. This gave a response rate of 76%. According to Ann (2015) a response rate of 50% is adequate for a study, 60% is good and 70% and above is excellent. Thus, a response rate of 76% was fit and reliable for the study as shown below table. Thus, it can be said that the study attended good and worthy reactions with respondents due to Covid 19 struck and its consequence.

Table 4 Response by Sector

Type	Sample Size	Returned	Success rate
Construction	67	39	58%
Manufacturing	61	45	74%
Trade	66	52	79%
Service	112	92	82%
Others	51	45	88%
Total	**358**	**273**	**76%**

Survey result, 2021

As the above figure shows that most of the study participants were those MSEs engaged in services area that accounts 34 % of the total participants. 14 % of them were from construction sector and 19 % of them were working in trade services. There are more service enterprises than others the findings agree with a study of Muturi (2016) supports the argument that service enterprises are easy to establish and this could be attributed to the fact that service businesses accommodates diverse generalized skills and a relatively lower initial investment capital as compared to trading, manufacturing and agribusinesses reducing barriers to entry. In addition, 16 % of the study participant was from manufacturing and other industry sectors. This shows that the study accommodates the participants from various sectors as per their respective sector area. In addition, the sectorial composition the majority of the MSEs engaged in service sector and manufacturing and construction sectors have been relatively neglected. The sector/type of business that a firm is in is probably going to be associated with investment choices and aggressiveness. The link between the sector and investment choices or aggressiveness is explained by completely different empirical studies like those. This shows that the study attempted to incorporate various business types that are involved in MSEs. Thus, this study obtained a chance to assess the loan default problems from various sectors.

4.3 Respondents Profile

This part presents the respondents' profile about their education, gender, age, marital status, involvement in MSEs and other related issues that related to this study.
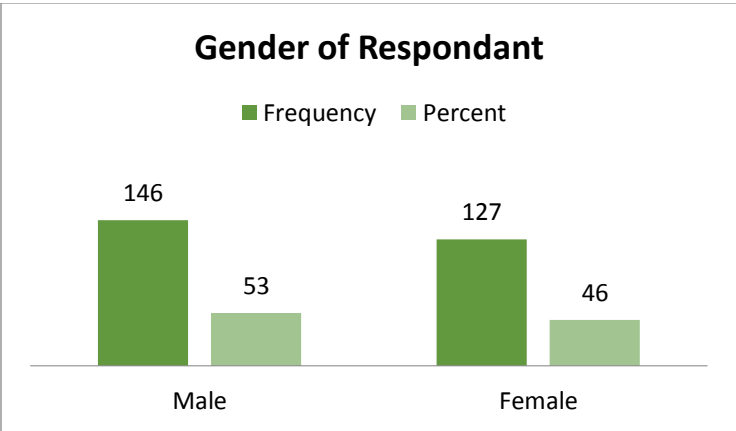
Survey result, 2021

Figure 1 Respondents' gender profile

The above figure shows that the sex characteristic of study participants was also considered. The female who participant in MSEs and this study constituting 127 (46 percent) respondents whilst male consisted of 146 (53 percent) respondents as shown in the above figure. The results indicate that the two genders were adequately represented in the study since there is none which was more than the two-thirds. However, the statistics show that the male gender could be dominating the micro and small enterprises sector in the study. As a result, the percentages specify an increase in the number of men engaging in entrepreneurial activities. This could be attributed to further availed financial support to women through various funds hence empowering more women to engage in more entrepreneurial activities. The more males recorded for participated in MSEs and in this study due to the fact that women who are considered women usually work in households and male work in income generating activities (Tolosa, 2014).

Respondant age
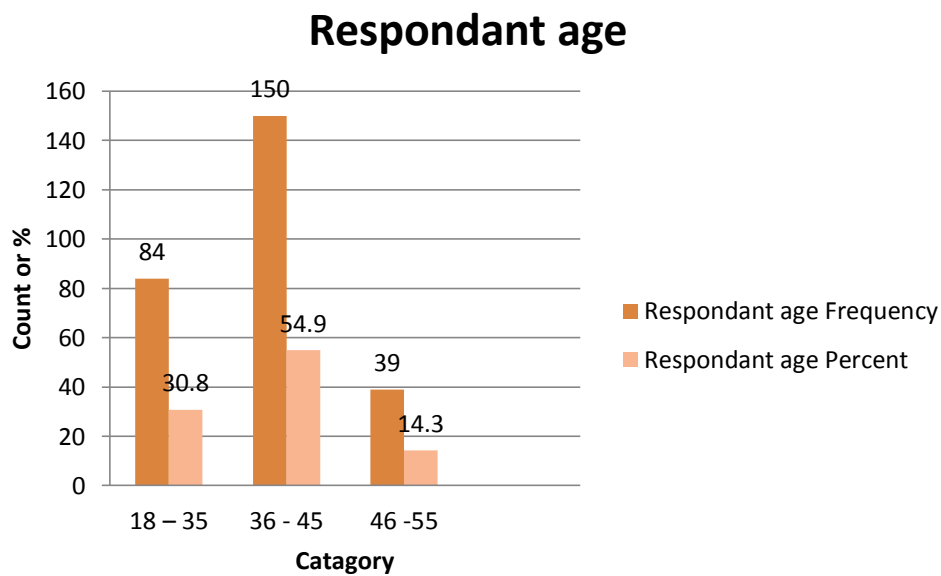
Survey result, 2021

Figure 2 Respondents' age profile

The lowest age of the respondents was 18 years and the highest being 55 years. Out of 273 respondents of this study of MSEs actors that was surveyed, 30.8 percent constituting 84 respondents were within the age of 18-35. It shows that young aged individuals have been included in MSEs and it helped to know the loan problems of them. 54.9 percent (150

respondents) for the age group of 36-45, 14.3 percent (39) for 46-55 age whilst no respondents were included in the study that fell more than that of aged 56. The findings show an increase in the number of adult and young people engaging in entrepreneurial activities once they attain the age of 18 years. The study findings differ from a study conducted in Yidnekachew (2018). He determined that the optimum age for entrepreneurs was 25-35. This shows that most of the member of MSEs has been in active age and this study collected data from various age group particularly from active working age. Consequently, a substantial part of the respondents ranges from 25-35, the respondents' age range from 36-46 constitutes 33%, the age range from 47-57 comprises of 21% and the remaining 7% of the respondents were composed the age range of above 58. The proportion of non-defaulters" age was highest in range of 36-46 by constituting 38%, and lower in the age range of above 58 representing 8%.

Table 5 Education, income and working in MSEs

Education Level			Monthly Income			Working in MSEs		
Category	Count	%	Category	Count	%	Category	Count	%
High School and below	76	28	Below 5000	28	10	Less than a year	99	36
Diploma	111	41	5001 – 10000	52	19	1-5 years	92	34
First Degree	53	19	10001 – 15000	90	33	6- 10years	39	14
Masters Degree & above	33	12	Above 15001	103	38	More than 10 years	43	16
Total	**273**	**100**	**Total**	**273**	**100**	**Total**	**273**	**100**

Survey result, 2021

The above table portrays 28 % of the respondents completed high school and below and 41 % of them graduated diploma, 19 % of them completed first degree and 12 % of them completed master's degree & above. The high number of university graduates (more than 70%) engaging in entrepreneurial activities can be supported by the Ethiopian government strategy on education training and research. The government implemented saving scheme that is designed for graduates of technical and vocational education training, and universities who are mostly grouped in the form of cooperatives (Fikirte, 2011). This study can conclude that entrepreneur's without post-secondary education are more aggressive job creators compared to those with post-secondary education. This study finding fail to concur with the study of Yidnekachew (2018) who established that majority of those who run MSEs are ordinary lot whose educational background is lacking. His survey explained that from the total respondents of defaulters, 34% respondents are illiterate, 46% respondents are primary school (grade 1-8), 18% respondents are high school (9-12), and 2.5% respondents are above grade 12.

In addition, the finding in the above table shows that 10% of the respondents indicated those respondents below Birr 5,000 income level; this shows that low income respondents have low loan demand and their loan default will be minimized. While 19% indicated respondents whose income level was Birr from 5001 to 10,000 and 33 % of them indicated respondents whose income level was Birr between 10,001 to 15,000 Birr. The findings show an increase in the monthly income engaging in business activities once they attain the higher income group. This depict that's the majority respondents having Birr between Birr 10001 to 15,000 monthly incomes participated in this study. However, their income difference could not influence the result of the study accordingly. Further, from the findings in the above table, majority 36% indicated they had worked for less than a year, 34% indicated from 1 to years, 14% indicated from 6 to 10 years, and 16% indicate above 10 years.
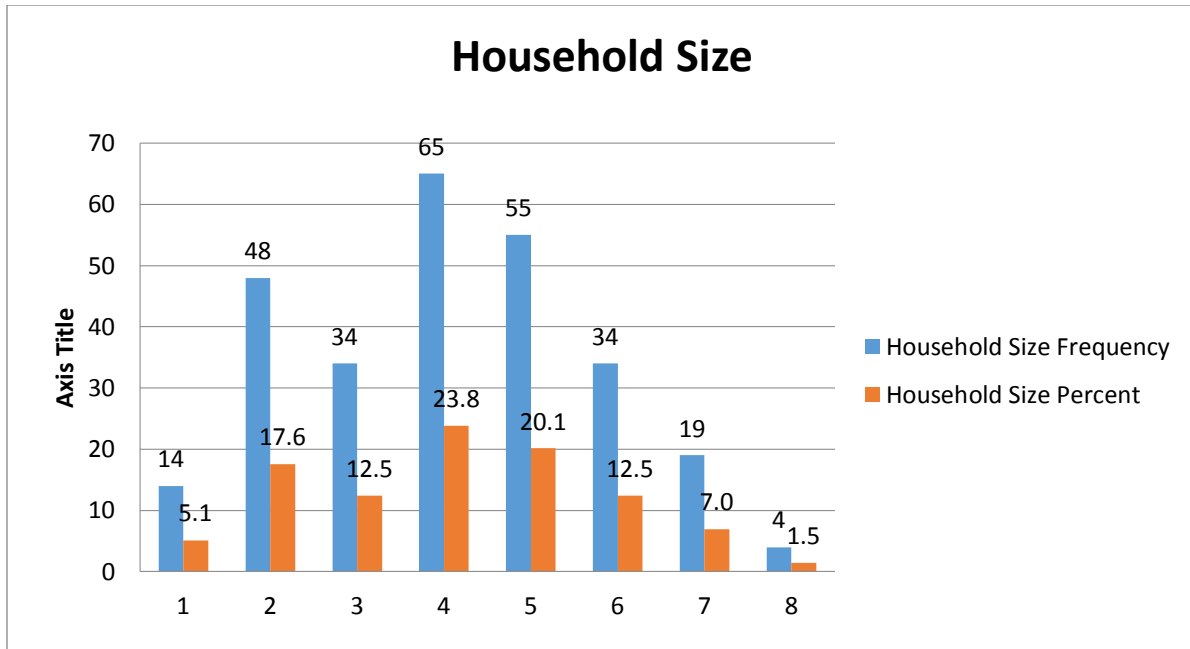
Household Size

Survey result, 2021

Figure 3 Household Size

The above figure shows that 23.8 % of the respondents lived with four individuals (having 5 family members); 20 % of them lived with four individuals and 20 % of them lived with more than six individuals and 34 % of them lived with less than three family numbers. In addition, the mean household size have been recorded as 4.99 (5). This may indicate that the additional family burden as a result of higher number of dependents above the age of 65 and inactive children, puts a pressure on the borrowed capital whereby decreasing its chance of being repaid within the time frame the institution puts as binding. Yidnekachew (2018) concluded that borrowers with large family sizes have lower repayment rates. This is due to the fact that those family members who are not only dependents but active to assist the business may raise the probability of the loan being repaid where as those family members who are totally dependents lower the probability of the loan being repaid. Overall, the above tables and figures show that the respondents characteristics and their value profile for the accomplishment of this study. It means that they understood the operations of their businesses well and therefore were in a position to give reliable information on socio-economic aspects that affect loan repayment in selected micro finance institutions Ethiopia. Thus, it is an evident that the background information of most

respondents were from both gender category, active age group. Accordingly, it is understood that they apparently knew the MSEs loan system in Ethiopia, loan default processes and problems, proficient and talented to respond the questionnaire and to provide pertinent data for this study.

4.4 Responses on Loan Repayment

The response analysis was conducted using mean and standard deviation. They were used to present the various characteristics for data sets. In this study, descriptive statistics helps to enables us to present the data in a more meaningful way, which allows simpler interpretation of the data. Muturi (2016) who assessed borrower's and business' factors causing microcredit default in Kenya study was taken as a benchmark mean scores rating. They studied on similar area and used mean scores as 4.51-5.00 excellent or very good, 3.51-4.50 good, 2.51-3.50 average or moderate, 1.51-2.50 fair and 1.00-1.50 is poor.

4.4.1 Loan Contract Problems of Loan Default

Table 6 Purpose of Loan

Items	Frequency	Percent
For working capital	56	20.5
For fixed investment	119	43.6
Other	98	35.9
Total	**273**	**100.0**

Survey result, 2021

This study display that the majority (43.6%) of the respondents indicated that they obtained loan for fixed investment purpose. Less number of the respondents (20.5%) used loan for working capital but almost 36 % of them needed loan for other business creation, personal loan and others. This states that the MSEs' loans are not effective and most of the borrowers used for other non-related activities. The majority of the responses (using open questions) indicated that

people prefer to invest in fixed assets such as real estate and jewelry, or to save in future gain and price escalation instead of investing in intended and projected business or investment projects.

Table 7 Situation of Loan Contract

Items	Frequency	Percent
Lengthy period of time the bank took in processing	111	40.7
Delay in settlement of the previous loan	72	26.4
Failure to timely fulfil the preconditions stipulated on the loan contract	63	23.1
Failures to timely provide the necessary documents.	15	5.5
Others	12	4.4

Survey result, 2021

The above table displays that 40.7 % of them agreed that the reason to be late to sign the contract. Yidnekachew (2018) also stated that contracts involve long legal processes such as leasing, drawing up business contracts, legal representation and other aspects that place the MSEs in a underprivileged position. Most of these enterprises find these processes lengthy and time consuming, hindering growth or expansion of enterprises. Almost 26.4 % of them stated that delay in settlement of the previous loan and 23.1 % indicated failure to timely fulfil the preconditions stipulated on the loan contract and others (5.5) stated that failures to timely provide the necessary documents. This shows that most of the loan default loan contract related problem is associated with MSEs related to institutions instead of borrowers' characteristics. This study found out that the majority of the business projects have been out dated until the loan is processed and finalized. This creates the business market to be changed. Thus, most of the respondents agreed that loans cannot be utilized based volatile market situation, loan are preferred to stable market activities. The demand should be stable for more than at least a year. This is because the fastest loan approval will be given after a two month periods.

Table 8 Responses Loan Contract

Items	Disagree		Neutral		Agree		Mean	Std. Deviation
	Count	%	Count	%	Count	%		
Failure to pay my loan as the amount of principal and interests are high.	51	18.7%	25	9.2%	197	72.2%	3.94	1.280
The frequency of payment creates a loan default problem.	58	21.2%	23	8.4%	192	70.3%	3.87	1.302
Payment timing is not convenience for me.	48	17.6%	20	7.3%	205	75.1%	3.99	1.244
There is lack of standard collateral requirements by MFIs.	44	16.1%	24	8.8%	205	75.1%	4.01	1.203
Collateral requirements holdback me from borrowing what I needed.	26	9.5%	33	12.1%	214	78.4%	4.11	1.064
My firm size holds back me from borrowing what I looked-for.	38	13.9%	27	9.9%	208	76.2%	4.05	1.141
My firm age holds back me from borrowing what I needed.	21	7.7%	28	10.3%	224	82.1%	4.20	1.036
Since I did not understand the loan contract agreement, I fail to pay my loan.	29	10.6%	23	8.4%	221	81.0%	4.14	1.150
There is lack of repayment option by MFIs.	36	13.2%	32	11.7%	205	75.1%	4.06	1.298
The length of the loan term is short.	86	31.5%	19	7.0%	168	61.5%	3.51	1.598
						Grand	**3.98**	**1.231**

Survey result, 2021

The above table displays respondents' opinion about loan contract related loan defaults problems. Almost 73 % of the respondents failed pay their loan as the amount of principal and interests are high and the payment frequency creates a loan default problem. The respondents also pointed out that interest rates paid on loans including interest rates fluctuations was very high making access to capital unaffordable to many SMEs owners. Gobena (2018) stated that study which included the inability of MSEs to provide collateral and other information needed by

banks such as audited financial statement coupled with the high cost of the loan in terms of high-interest rates make it extremely difficult to access credit.

The majority (75.1%) of the respondents agreed that there is lack of repayment option by MFIs, untimeliness the loan payment and they agreed that there is lack of standard collateral requirements by MFIs. The findings showed that very few MSEs succeed in accessing funding from financial institutions, the main reason being a failure to meet lending requirements, dominant among them being the provision of collateral security. In some conditions, where credit is available, again the entrepreneur may find problems because of the lending conditions that may require collateral for the loan. Arena & Azzone (2009) revealed that loan contract terms (repayment instalment, collateral, frequency of maturity, grace period, loan volume, interest rate, number of disbursement) and other factors such as political influence, technical advice, level of social cohesion (for micro enterprises) in addition to the probability of loan repayment depends on the borrowers' specific characteristics (i.e. age, education, experience, sex, household size, loan utilization).

Similarly, 78.4 % of them indicated that complicated procedure of collateral requirements deter them from borrowing what they needed 76.2 % of the respondents stated that their firm size holds back them from borrowing what they looked-for. In addition, almost 82 % of them indicated that their firm age holds back they from borrowing what they needed and they failed to pay their loan due to the fact that they did not understand the loan contract agreement. This indicates that there is a need to have clear loaning policies that support MSEs to avoid misunderstanding on expectations on repayment period and the interest rate on the borrowed loan.

Finally, 61.5% of the respondents showed that the length of the loan term is short. This shows that most of the loan defaults issues in MSEs are involved in loan contract. Default occurs when a debtor has not met his or her legal obligations according to the debt contract. For instance a debtor has not made a scheduled payment, or has violated a loan covenant (condition) of the debt. A default is the failure to pay back a loan. A default is that the failure to pay back a loan. Default might occur if somebody is either unwilling or unable to pay their debt. A loan default

occurs when the borrower does not make required payments or in some other way does not comply with the terms of a loan (Admasu, 2012).

The grand mean (3.98) was rated as agreed. It included there is higher principal and interests, lack of repayment option by MFIs, inconvenience loan payment timing, lack of standard collateral requirements, problems emerged from collateral requirements and, firm size and age hold back them from borrowing what they needed. The majority of the borrowers did not comprehend the loan contract agreement. This study found that the loan related problems included understanding the loan contract agreement (the second highest mean, 4.14) and shorter firm age are obstacles for borrowing (highest mean, 4.2). But the length of the loan term (3.51) and the payment frequency (3.87) as creating a loan default problem have been identified as least poorer problems.

Overall, this study found that there are inconvenience loan payment scheduling and occurred lack of standardize collateral requirements and repayment option by MFIs. It also found that firm size and age, collateral requirements and misunderstanding the loan contract agreement, have been the major loan contract problems. Factors mentioned in the literature as contributing to default include the following: interest rate on the loan, term of the loan, presence of secondary or junior financing, region of the country in which the loan is made, type of loan thus adjustable or fixed rate, or conventional, transaction costs of the loan, contract rate compared with market interest rate, as an indicator of default, foreclosure costs and state laws governing foreclosure (Abreham, 2017).

4.4.2 Loan Disbursement Problems

Appropriateness of loan disbursement is very important once loans are used for seasonal activities like agriculture. Regarding MSEs, complicated appraisal and approval procedures, which might delay disbursement, influence a program of loans. In view of that, respondents were requested about this issue and found the following results accordingly.

Table 9 Responses on loan disbursement

	Disagree		Neutral		Agree		Mean	Std. Deviation
	Count	%	Count	%	Count	%		
There is delay in disbursement due to complicated appraisal.	50	18%	42	15.4%	181	66.3%	3.73	1.325
There is a problem associated with estimation of the project's cash flow during loan disbursements.	65	24%	6	2.2%	202	74.0%	3.80	1.565
There is lack of delay disbursement due to my personal problem (not provide appropriate information timely).	47	17%	29	10.6%	197	72.2%	3.88	1.341
Loan disbursement procedures are long.	39	14%	8	2.9%	226	82.8%	4.18	1.145
Loan disbursement procedures are complex.	27	10%	19	7.0%	227	83.2%	4.08	1.139
There is high tendency for corruption in case of loan disbursement.	36	13%	21	7.7%	216	79.1%	4.09	1.157
						Grand	**3.9609**	**1.278**

Survey result, 2021

The above table shows that 66.30% of the respondents indicated that there is delay in disbursement due to complicated appraisal. This may be related to the fat that dishonesty and corruption. As Admasu (2012) found, it is related to financial repression and credit rationing encourage unprofessional lending practices such as collusion and corruption. He has established that unethical practices lead to high default rates, thereby increasing risk. Taking care of this issue is more important in MSEs related financial institutions or banks where accountability of loan officers is often a problem.

74 % of the respondents specified that there is a problem associated with estimation of the project's cash flow during loan disbursements. It is related to lack of market price and estimators can increase profitability of the project. MSEs Owners will not also take advantage of quantity discounts, minimizing cash flow problems, and seeking out quality suppliers. In addition, there is lack of planning and pricing models include analyses for monthly man loading schedules per department, monthly costs per department, monthly and yearly total program costs, monthly material expenditures, and total program cash-flow and man-hour needs per month. Studies like Admasu (2012) found that financial repression and credit rationing encourage unprofessional lending practices such as collusion and corruption.

In addition, 72.20% of the respondents showed that there is lack of delay disbursement due to my personal problem (not provide appropriate information timely. Even if timeliness of loan disbursement is important, it created a complicated station; for example, the loan timelessness used for seasonal activities such as agriculture. Tis may be associated with complicated appraisal and approval procedures, which might delay disbursement, influence a program of loans. In addition, there is lack of delay disbursement and long and complex loan disbursement procedures. Abu-Azza (2012) recorded the following as reasons of loan default: failure to tie lending to productive investment; neglect of marketing and linking credit recovery to the sale of the product; defective loan policies, delayed loan disbursement, an excessive amount of or insufficient credit and unrealistic reimbursement schedules; misapplication of loans; ineffective supervision; indifference of bank management with reference to sick loans and lack of responsibility and discipline on the a part of borrower.

This situation also appeared on other responses such as the majority of the respondents showed that loan disbursement procedures are long (82.80%), loan disbursement procedures are complex (83.20%) and there is high tendency for corruption in case of loan disbursement (79.10%). Abu-Azza (2012) also indicated and mentioned various authors recommend tackling the problems raised on the side of borrowers, lending institutions and government as solution to the default problem attributed to small-scale enterprises in developing countries. Interviewees also indicated that the major causes of loan default included failure to tie lending to creative investment; imperfect loan policies, delayed loan disbursement, too much or too little credit and misuse and exploitation of loans; and discipline on the part of borrower. This study found that there is long loan disbursement procedures (4.18) have been recorded as a major problem and others included complex loan disbursement procedures (4.08) and corruption in case of loan disbursement (4.09). A non-economic obstacle relating to the failure of banks lies in the risk adverse attitude of loan officers as it is related to corruption.

4.4.3 Loan Collection Problems of Loan Default

Table 10 Credit collection technique/s/ are mostly adopted by lender

	Frequency	Percent
Transferring	7	2.6
Using reminder letters	24	8.8
Debiting client account pre undertaking	6	2.2
Cash/check payment	99	36.3
Others	137	50.2
Total	273	100.0

Survey result, 2021

The above table shows that 36.3 % of the respondents indicated that cash/check payment as to indicate credit collection technique/s/ are mostly adopted by lender. But the majority of the respondents indicated the lenders used various methods.

Table 11 Aspects Forcing Borrowers to Repay Loan in Time

	Frequency	Percent
Claim against personal wealth	14	5.1
Claim against Guarantors	4	1.5
Social sanctions (loss of status)	35	12.8
Fear of losing future loan	78	28.6
No reason	142	52.0
Total	273	100.0

Survey result, 2021

The above table shows that 28.6 5 of the respondents indicated that fear of losing future loan as an aspects forcing borrowers to repay loan in time. But 52 % of them did not know the reason precisely. This may be reasoned out as they did not interest to disclose their factual problem and the interview sessions indicated that it included loans are applied for personal usage, unfamiliarity with accounting and financial recording, invested in unprofitable business, need to payment rescheduling and the like. On other hand, some borrowers need to pay the loan in accordance to the specified amount and time. This may be related to cultural and religion issues as no one need others money.

Table 12 Respondents' views on Loan Collection

	Disagree		Neutral		Agree		Mean	Std. Deviation
	Count	%	Count	%	Count	%		
I am worried by high-frequency of collections.	57	20.9%	17	6.2%	41	72.9%	3.85	1.374
I am fed up with tight collection controls.	39	14.3%	19	7.0%	105	78.8%	4.17	1.223
MSE's lenders do not have a well-organized collection system.	24	8.8%	20	7.3%	137	83.9%	4.35	1.160
There is lack of skills of collection officer.	39	14.3%	20	7.3%	106	78.4%	4.15	1.257
There is lack of loan collection follow ups.	37	13.6%	23	8.4%	89	78.0%	4.14	1.208
There is lack of electronic payment system like mobile banking.	21	7.7%	20	7.3%	124	85.0%	4.36	1.103
						Grand	4.17	1.220

Survey result, 2021

The above table shows that 72.9% of the respondents indicated that they are worried by high-frequency of loan collections and 78.8% also indicated that they are fed up with tight collection controls. The majority of the MSEs businesses meet all the legal conditions needed for operation. However, they need time to collect revenue to settle income taxes and other expenses. It is also mentioned that collection of revenue charged on the businesses slows down the business growth of MSEs. This finding also confirmed that MSEs in survey area do not perform well because of too much harassment from local authorities for failure to adhere to legal regulations.

This study also revealed that MSE's lenders do not have a well-organized collection system as 83.9% said agreed and almost 78.4% indicated that there is lack of skills of collection officer and there is lack of loan collection follow ups. It is related that most of the loan related institutions are far from their business area and their documents will be mess up when they need to settle their payment. These loan institutions use excel and other ordinary data recording mechanisms.

85 % of them, however, showed that there is lack of electronic payment system like mobile banking. This indicated that adoption of electronic commerce among small medium enterprises in Ethiopia has been low and it was noted from the findings that there is low use of electronic commerce in marketing. This implies that there are still a lot of growth opportunities for SMEs to utilize electronic commerce for marketing their products and services.

This study, therefore, revealed that MSE's lenders do not have a well-organized collection system and lack of electronic payment system like mobile banking. The sustainability of the financial institutions to increase the volume of credit to stimulate the poverty reduction goal depends on the repayment performance. High repayment performance enables the institutions to lower the interest rates and processing costs and consequently increase supply of loans. Moreover, high repayment rates reduce the subsidy- dependence of the credit institutions to assist them achieves a better sustainability level. Thus, repayment performance serves as a positive indicator for increasing the volume of credit availability to various sectors of the economy and attaining a high loan collection rate is a necessary condition for MFI to become self-sustainable in the long run (Wolday, 2005).

4.4.4 Business Operations Characteristics

The research study evaluated the business characteristics for understanding loan default problems with a view to identify business characteristics that result in fast growth of MSE.

Table 13 Business Operations Characteristics

Items	Family labour		hired labour		Both		others	
	Count	%	Count	%	Count	%	Count	%
Type of labour they employ	49	17.9%	94	34.4%	75	27.5%	55	20.1%
	High		Average		Neutral			
	Count	%	Count	%	Count	%		
Market demand status of their product	75	27.5%	149	54.6%	49	17.9%		
	Increased		Decreased		No change			
	Count	%	Count	%	Count	%		
The trend of the profitability of your business after engagement in the credit program during the past few years	32	11.7%	154	56.4%	87	31.9%		

Survey result, 2021

This study found that the majority of the surveyed MSEs (34.4%) hired labour of running their businesses. 17.9 % of the respondents used family member as a laborer. This shows that most of the respondents hired employees for running their businesses. In addition, the majority of the respondents indicated the market demand status of their products were rated as medium and 56 % of them indicated that their business profitability tended to decreased after engagement in the credit program during the past few years. This may be the major loan default problems in MSEs in Ethiopia. Previous researches Addisu (2007), Admasu (2012), Al- Mamun, et al., (2011) and Arena and   Azzone (2009) confirms that market characteristics affect venture growth perspectives. In particular, in the case of MSEs one of the key features of markets refers to the

level of competition, which could be described by the number of the main competitors. It is generally acknowledged that the larger the number of competitors is, the higher the competitive pressure would be, affecting negatively the growth perspectives of MSEs. However, some of the listed empirical evidence shows that on the contrary, those firms facing large number of competitor's exhibit higher growth levels. Some arguments explaining this result pointed out that the negative side-effect of competitors may impact principally MSE survival perspectives, instead of their growth level. Actually, those firms survive this intense competition, usually exhibit significant growth levels. Moreover, growth-oriented entrepreneurs would tend to target market segments with a higher level of competition, because of their attractiveness (e.g. differentiation advantages, profitability).

Table 14 Responses on Business Characteristics

	Disagree		Neutral		Agree		Mean	Std. Deviation
	Count	%	Count	%	Count	%		
I fail to pay my loan as I have experienced the possibility of liquidity crisis due to more credit sales	29	10.6%	27	9.9%	217	79.5%	4.14	1.034
I fail to pay my loan as lack of business innovativeness my business has been unsuccessful.	45	16.5%	20	7.3%	208	76.2%	3.98	1.147
I fail to pay my loan as due to my mistaken business study.	46	16.8%	18	6.6%	209	76.6%	3.98	1.152
I fail to pay my loan as due to my business has been failed.	42	15.4%	20	7.3%	211	77.3%	4.05	1.151
I face loan default problems due to mismanagement of my business.	21	7.7%	30	11.0%	222	81.3%	4.14	.992
I face loan default problems due to lack of business skills.	32	11.7%	27	9.9%	214	78.4%	4.06	1.107
I face loan default problems due to road or any infrastructure development (my business has been declined).	18	6.6%	26	9.5%	229	83.9%	4.22	.968

Lack of providing new product or service, I fail to pay my loan.	21	7.7%	23	8.4%	229	83.9%	4.20	1.017
I fail to pay my loan as I have experienced losses because of my poor financial recording.	25	9.2%	29	10.6%	219	80.2%	4.16	1.130
I fail to pay my loan as I have experienced losses because of lack of understanding business risk analysis.	58	21.2%	22	8.1%	193	70.7%	3.77	1.412
Since I am reluctant to rise outside equity capital for reasons of expanding my business, I fail to management my loan.	62	22.7%	17	6.2%	194	71.1%	3.76	1.440
I could not pay my loan due to lack of production failure like lack of input or raw material	16	5.9%	34	12.5%	223	81.7%	4.24	1.046

Survey result, 2021

The above table displays respondents' opinion on business operation characteristics for loan defaults problems. Accordingly, the majority of the respondents (79.50%) indicated that they fail to pay their loan as they have experienced the possibility of liquidity crisis due to more credit sales. Moreover, loan losses which arise as a result of loan default problems often have been the largest cost borne by the institutions and the principal cause of insolvency and illiquidity

The above table also shows 76.2 % of them failed to pay their loan as lack of business innovativeness their business has been unsuccessful and 76.60% of them failed to pay their loan as due to their mistaken business study. The findings indicated lack of sufficient entrepreneurial innovation among owned MSEs products and services. It also found that there is lack of new products formation in comparison to the revenues of enterprises.

This table also exhibits 77.3 % of them failed to pay their loan as due to their business have been failed. This sis related to lack of improper business location, selection of the business type, lack of market research, poor business know how, lack of proper customer handling and mismanaged revenue and expenses. This could be as a result to the frequent changes in the business environment that have reliably affected the MSEs operations in the country.

The higher respondents faced loan default problems due to mismanagement of their business (81.30%) and they challenged loan default problems due to road or any infrastructure development (their business have been declined) (83.90%). It may be associated with poor infrastructure particularly electricity access and frequent shortage of power particularly for manufacturing sector. In addition, roads will be frequent closed for water and telecom infrastructure fixing as result their business will be blocked out due to inaccessibility of customer, unable to transport of raw materials and the like.

Moreover, most of the respondents (83.90%) said there is lack of providing new product or service and 80.20% of them have experienced losses because of my poor financial recording and as consequence the failed to pay their loan. It will be easier for them to follow up their loan utilization situation if borrowers keep records. That is why they are likely to confuse the loan proceeds with other incomes, thus finding themselves in a situation where they unintentionally divert loan to other purposes.

70.70% of them explained they failed to pay their loan as they have experienced losses because of lack of understanding business risk analysis. Particularly, they did not understand the possibility of loss to business caused by the changes in the market like commodity prices. In addition, they could not able to create mutual commitment in long term relationship with suppliers.

Further, most of the participants (78.40%) faced loan default problems due to lack of business skills. This shows that there is lack of a successful negotiation that has taken place when the parties end up mutually committed to fulfilling the agreement they have reached. This also states that they do not have business fairness that is a crucial element to make a negotiation process succeed.

Since they are reluctant to rise outside equity capital for reasons of expanding their business, 71.10% of them failed to management their loan. Yidnekachew (2018) revealed that the main constraints of the MSEs were shortage of capital, lack of raw materials, absence of government support, lack of market, lack of credit facilities and high interest rate.

They could not pay their loan due to lack of production failure like lack of input or raw material as per 81.70% of the study participants. This may be related to unidentified which products to produce in-house and which are provided by other supply chain members. It is a lack of integrating backward integration – owning or controlling of sources of raw material and component parts with forward integration – owning or control the channels of distribution.

On other hand, the lowest mean indicated that there is less challenged factors for loan defaults including rise outside equity capital for reasons of expanding their business (3.76) and understanding business risk analysis (3.77). The higher factors for contributing loan defaults included poor financial recording (4.16), lack of providing new product or service (4.2), road or any infrastructure development (4.22) and production failure like lack of input or raw material (4.24). On other hand, Muturi (2016) assessed borrower's and business' factors causing microcredit default in Kenya. The study found that the key parameters with the highest mean were; business entrepreneurial skills (4.07), business size (4.28), business' portfolio, borrower's experience in business (4.26), firms' industry (3.81), business location (3.81), business operation period (3.58) and market competition (3.51). These results indicate that these parameters were key in causing loan default. This study stated that the major factors included for loan default in MFIs were borrower's credit history, borrower's ability, domestic factor, gender factor and loan diversion and marital status while for FI, the significant factors were; borrower's ability, domestic factors, gender factor, number of children, age and marital status. Alemu (2015) stated that the average growth of those enterprises using record keeping during their service life has better performance of asset and employment growth when compared with non-users. The possible reason for this is having financial record will provide them with some opportunities to check their status and they can have an opportunity to determine the best price as they exactly know their cost which means their operation is not by chance.

4.4.5 Socio-Demographic Characteristics

This study used defaulters of loan default problems based on gender, educational level, and others of the respondents from Bole sub city small and micro enterprises in Addis Ababa City. The study sought to analyze socio-economic factors that affect loan repayment in micro finance institutions Ethiopia.

Table 15 Chi square Test Results with Age Factor

Variables	Socio-Demographic Category	Highest Rated	Mostly Preferred to agree	Chi-Square Tests Results
Loan Contract		36 - 45	53%	.059
Loan Distribution	Respondent age	36 - 45	36%	.008
Loan Collection		36 - 45	48%	.009
Business Operations		36 - 45	48%	.359

Survey result, 2021

Descriptive statistics were also employed to describe the socio-economic characteristics of the farmers. This study used Chi-square test and it is used to support or reject the null hypothesis. The decision used under the test of chi square is either to reject or to accept the null hypothesis.

Using the decision rule, the null hypothesis is rejected and the alternative hypothesis is rejected with 5% significance as Pearson Chi-Square Asymp. Sig. (2-sided) below 0.05. The present study revealed that there was a statistically significant association existing among respondents' age group on loan distribution (.008) and loan collection (.009). Hence, the result revealed there is respondents' age group make a difference on loan distribution and loan collection problems. It shows that adults have different loan distribution and loan collection problems from youngsters. This may be youngsters may have sever loans related issue than adults. Most of respondents between36 to 45 have been suffered from loan default problems as 53%, 36 % and 48 % of them highly agreed or accepted collection and distribution problems. Regarding the others, business operations and loan contract (9.059), there is no difference among respondents'

age group (.359), this shows that borrowers do not have different business operations and loan contract problem. All the problems associated to loan contract and business operation regarded to all age group. Actually, it is not reliant on age factors instead it dependent on business nature, marketing and sales conditions and marketing and business skills as per the majority of the interviewees responses. However, almost half of the respondents (48%) aged between 36 to 45 agreed faced business related loan defaults. Similarly, Gathoni, *et l.,* (2014) mentioned that the higher the age; the low the risk of default while in the second case, the higher the ages, the higher the risk of loan default respectively.

Table 16 Chi square Test Results with Gender Factor

Variables	Soc-Economic Category	Highest Rated	Mostly Preferred to agree	Chi-Square Tests Results
Loan Contract	Gender	Male	42%	.633
Loan Distribution		Male	38%	.312
Loan Collection		Male	45%	.864
Business Operations		Male	45%	.184

Survey result, 2021

Regarding gender and loan defaults situation, with 5% significance as Pearson Chi-Square Asymp. Sig. (2-sided) above .05. Hence, the result revealed there is no difference among respondents' gender based on test results of loan contract (.633), loan distribution (.312), loan collection (.864) and business operations (.184) while most of male respondents have been agonized from loan default problems as 42%, 38 % and 45 % of them highly agreed or accepted loan contract, collection and distribution problems and business operations. Due to various supports from international and governmental organization support, microfinance institutions tend to give loans to women more than men. However, there is massive pressure on females to access loans to for other activities which could bring income into the family. They also disagreed that women spent a lot of money for personal use particularly for household benefits. Besides, due to cultural and social pressures, women may be more cautious to repay their loans

and they give high attentions for loan requests. It may say that women may be good business planners.

Table 17 Chi square Test Results with Education Level

Variables	Soc-Economic Category	Highest Rated	Mostly Preferred to agree	Chi-Square Tests Results
Loan Contract	Education Level	Diploma	32%	.262
Loan Distribution		Diploma	28%	.418
Loan Collection		Diploma	33%	.344
Business Operations		Diploma	35%	.251

Survey result, 2021

Considering education level, this study found that there is no difference among respondents having more than 0.005 based on the test results; loan contract (.262), loan distribution (.418), loan collection (.344) and business operations (.251) while most of diploma holders (almost 30% of the total respondents) agreed the major loan default problems. The majority of the interviewees associated this fact with lack of proper business training. The claimed that this situation can be endorsed to the fact that, the MSEs organizers, financial institutions and other credit union fails to monitor and also educate clients whose educational level is low on simple financial techniques that could help them increase the profitability of their businesses. Likewise, the lack of education of such people in simple financing techniques by loan officers is also a factor as most of these people under the category do not have much education coupled with high number of dependents (Reta, 2011). The above findings are in corroborates with those of Samwel and Kevin (2016) also revealed that lack of knowledge increased the chance of encountering repayment problem. This is also reinforced by Reta (2011) who found out that education level of borrowers contributed positively to the loan default.

Table 18 Chi square Test Results with Monthly Income Factor

Variables	Soc-Economic Category	Highest Rated	Mostly Preferred to agree	Chi-Square Tests Results
Loan Contract	Monthly Income	Above 15001	32%	.000
Loan Distribution		Above 15001	31%	.002
Loan Collection		Above 15001	31%	.190
Business Operations		Above 15001	32%	.587

Survey result, 2021

Regarding monthly income, this study found two different or mixed results. In point of fact, this study found that there is no difference among respondents having more than 0.005; test results showed that loan collection (.190) and business operations (.587) while there is a difference among respondents based on test results that displayed loan contract (.000) and loan distribution (.002). In addition, the majority of higher income respondents (30%) (Those having above Birr 15,001) agreed that the major loan default problems included all - loan contract, collection and distribution problems and business operations. This may be related to higher income group may be involved in higher risky business instead of lower income group. The majority of the interviewees agreed that MFIs in Ethiopia provides funds to lower-income group who are usually involved in low risky small and micro business activities. Even if most of the studies used multivariate regression, probit and logit models to assess the factors affecting loans repayment performance or loan default risks, their results have been very crucial. For instance, Al- Mamun, *et al.,* (2011) examined the critical factors affecting the repayment of microcredit provided and they found that income of the MSEs have positive influence on loans repayment performance in the study area. According to the interviewees, the majority indicated that not only their monthly income but also the total investment for small business are not sufficient for their personal use instead of thinking to invest the business in accordance to the loan project targeted. Ethiopia's MSEs sector to produce at subsistence level with incomes not adequate to cover the borrowers; consumption and expenditures and allow them to invest back in to their business. The low disposable incomes available at household levels have exacerbated the inability of borrowers to improve their services, manufacturing and production through acquisition and use of modem

technologies. Arena & Azzone (2009) provided empirical evidence on the socio-economic characteristics and determined the characteristics that influence loan repayment. The study found out that income of the borrowers significant and a positive relationship with loan repayment.

4.4.5.1   Chi Square Test Results with Loan Default Problems

This study took loan default problems of the mean average value of the four factors such as business operations, loan contract, collection and distributing.

Table 19 Chi square Test Results with Loan Problem

With Loan Default Problems	Value	df	Asymp. Sig. (2-sided)
Job Level	187.395	186	.458
Business or Working experience in MSEs	287.406	248	.043
Type of Business	252.744	248	.405
Household Size	439.773	434	.414

Survey result, 2021

The above table displays chi square test result with 5% significance as Pearson Chi-Square Asymp. Sig. (2-sided) above .05, the result revealed there is no difference among respondents' job level (.458), type of business (.405) and household size (.414) and there is a difference among respondents based on working experience (.043). Business or Working experience in MSEs is the only significant variable due to the fact that different business experience may arise different loan problems. At the beginning stage of the business, the borrowers' may be more sensitive and effective to settle their business loan due to the need to expand their business to the next growing business stage. While at maturity stage the borrowers' may be more reluctant to settle their business loan instead they request loan scheduling. This may be related to the fact that they will be more tending to business decline stage.

Previous studies have found similar results. There is a difference among borrower's business experience was statistically significant in both MFIs and FIs. Experience in business gives the entrepreneur opportunities to seize in generating income and a borrower with some business experience accumulates skills that help him to manipulate business environments and hence able

to prevent loan default. It is found that substantial business experience improves productivity and capital base which in return reduces the possibility of loan default. In addition, the type of activities a business engages in greatly determines the extent to which a loan is repaid (Muturi, 2016). However, Muturi (2016) found that a large household size (high number of children) was found to be positively related to loan default in FIs in that family commitments were likely to cause loan diversions to pay fees or buy food therefore causing loan default which is supported by other researches. Muturi (2016) mentioned Majeeb Pasha and Negese (2014). They found that large household size increases expenditure for health and consumption and therefore impacts negatively on loan performance. This is in agreement with these studies that the number of dependents within and without a household is significant in causing loan default.

4.4.6 Qualitative Analysis

In order to deep understand about the loan default problems in MSE, in-depth interview was conducted with pre identified experts and executives of MSE. All of the interviewees have had over seven year's working in loan management experience. Accordingly the interviewee's responses to the questions are depicted briefly as follows. However, most interview responses are presented and analysed in the questionnaire analysis part as a supportive response. Before the response is presented in a summarized way an interview guide line is given as follow. First before the researcher selected his interviewees profiled their position function in relation to the topic of my research. Since they study is about credit management there is no better place than credit portfolio management department the bank to conduct the interview with since the staff in that department is solely engaged in the loan management process. The next step the researcher took was setting a requirement and from all the staffs the researcher choose the manager of the department who has a long year experience in credit management and loan work out. The summary of the questions asked with the response is shown below:-

Most of the respondents have so numerous in common as to what they believed the loan management practice of the MSE. Loan processing and lending function is the core product of all MFIs in general as it contributes the major shares of revenue to its profitability. In other words loans and advances are known to be the main stay of all MFIs. The strength and soundness of the banking system primarily depends upon health of the advances.

Respondents indicated that several loan default problems included borrower's ability and willingness to repay, lack of effective project proposal, and other business related issues.

As per the interview conducted the MFIs prefers the business type and applicant creditworthiness as first way out and collateral is the second way out as basis for lending. In principle, loan can be provided both on clean base and on collateral base. However, the MFIs prefer collateral based lending because of the following main reasons: the economic level of the country: the living standard of the society, poverty, the culture of the society in lending is at its infant stage, the educational level of the society, limited resources of the bank and the safest way of lending in minimizing credit risk and others. The other most important issue to be continually reviewed related to collaterals is period of limitation of loan and mortgage contracts and their registration. Respondents indicated that several issues contribute to loan default. As per the outcome of the interview the factors can be categorized as banks" internal situations and borrowers related. The factors are organized and presented under the respective subtitles. Banks internal factors related to internal inefficiencies due to systems, governance, human resource issues and the related. Under theme this most of the interview participants raised the following issues: bankers lack of integrity, relaxation in the follow up of loans, credit analyst's capacity limitation, banks aggressive lending to maximize profit, mistakes on estimation of collateral and evaluating the borrower's financial report, and lack of credit information from other banks on a timely basis.

CHAPTER FIVE

SUMMARY OF MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study sought to assess the loan default problems of micro and small enterprises in Bole sub city, Addis Ababa in Ethiopia. This chapter presents a brief summary of major findings, conclusion, and recommendations of the study findings. The conclusion narrates directly to the research objectives and the recommendations were derived from the discussion of the study findings and conclusion. The chapter additionally presents steered studies that would be disbursed in future to increase data during this explicit space.

5.2 Summary of the Major Research Findings

The present study targeted owners of various micro and small enterprises in Bole sub city, Addis Ababa in Ethiopia. A total of 237 owners of MSEs in the study area were sampled. The summary of the study findings presented herein followed the research hypotheses formulated in chapter one of the study. The study attended 76 % of responses rate as 273 questionnaires were properly returned out of 358 distributed questionnaires. This study mainly used primary data and self-administrated questionnaire. A pilot study was undertaken with various MSEs to test the reliability and validity of the questionnaire. The stratification was based on the type of business that the owned MSEs were operating. This comprised of manufacturing, trade, service, agri-business and construction. As result, this study revealed that

- the male gender could be dominating the micro and small enterprises sector in the study; an increase in the number of adult and young people engaging in entrepreneurial activities once they attain the age of 18 years; the high number of university graduates engaging in entrepreneurial activities and there is additional family burden as a result of higher number of dependents above the age of 65 and inactive children, puts a pressure on the borrowed capital whereby decreasing its chance of being repaid within the time

frame the institution puts as binding. There is a possibility of loans diverted to unintended purposes because of many responsibilities resulting from meeting the needs of many members of the family.

Loan Contract Problems of Loan Default

- This study found that there are inconvenience loan payment scheduling and occurred lack of standardize collateral requirements and repayment option by MFIs. It also found that firm size and age, collateral requirements and misunderstanding the loan contract agreement, have been the major loan contract problems.

Loan Disbursement Problems

- The major causes of loan default included failure to tie lending to creative investment; imperfect loan policies, delayed loan disbursement, too much or too little credit and misuse and exploitation of loans; and discipline on the part of borrower. This study found that there is long and complex loan disbursement procedures and there is widespread corruption existed in case of loan disbursement.

Loan Collection Problems of Loan Default

- MSE's lenders do not have a well-organized collection system and lack of electronic payment system like mobile banking.

Business Operations Characteristics

- The contributing loan defaults included poor financial recording, lack of providing new product or service, road or any infrastructure development and production failure like lack of input or raw material.

Socio-Economic Characteristics

- The result revealed there is significant difference among respondents' age group on loan distribution and loan collection problems. The result revealed there is no difference among respondents' gender based on test results of loan contract, loan distribution, loan collection and business operations. Considering education level, this study found that there is no difference loan contract, loan distribution, loan collection and business operations. The result revealed there is no difference among respondents' job level

(.458), type of business (.405) and household size (.414) and there is a difference among respondents based on working experience (.043).

5.3 Conclusions

This study attempted to assess loan default problems of micro and small enterprises at sub city level. From the findings, it is obvious that there are differences in socio-economic characteristics thus in age, income levels, educational levels; gender, primary occupation and number of dependants of SMEs owners in Bole sub city.

The causes of loan default in Bole sub city based on loan contract, disbursement, collection and socio-demographic and business characteristics. They include lame dominating business environment, family burden as a result of higher number of dependents, loans diverted to unintended purposes, inconvenience loan payment scheduling and occurred lack of standardize collateral requirements misunderstanding the loan contract agreement, failure to tie lending to creative investment; imperfect loan policies, delayed loan disbursement, too much or too little credit and misuse and exploitation of loans; and discipline on the part of borrower. MSE's lenders do not have a well-organized collection system and lack of electronic payment system like mobile banking. The contributing loan defaults included poor financial recording, lack of providing new product or service, road or any infrastructure development and production failure like lack of input or raw material. On the other hand, interest on other liquid investment is the one that is cushioning the credit union against the shocks of the loan default. Thus, the study concluded that though many factors can lead to loan defaults, some of the factors were viewed to be of severe consequences and higher impact. This is evident from the way respondents responded to questions and the analysis rising thereof. The study found out that large family size and poor personal characteristics, corruption, business experience, age, interest rate and longer duration of business - loan characteristics - result in increased loan default problem and vice versa. However, income, gender, marital status, education and others leads to irrelevant no loan default.

5.4 Recommendations

- Banks and MFIs may implement a well-organized collection system and electronic payment system in associated with accessing loan statement in mobile banking applications. They may invest on core banking system, ICT technology, banking innovativeness technology and related human capital. They may also create a mobile banking that ensure transparency of transactions and facilitated towards removing the documentation requirements to a major extent, since majority of records under an e-banking set up are maintained electronically.

- National Bank of Ethiopia (NBE) may review its relevant proclamation that banks for small and micro enterprises that should follow in performing electronic banking undertakings. This proclamation may include enforcement on new developments and innovation in technology, infrastructure and distribution networks to deliver financial services cost-effectively and easily accessible to the public.

- MFIs may amend the length of repayment period that should be increased in a way that the institution will not lose value of their money advanced but at the same time reduces the probability to default because of short repayment period.

- Local government bodies (Sub city and Kebele level) may provide Training and Online Education to female owned enterprises on how to use the loans and high scrutiny of their application to really understand their capability of using the loans to earn profit and pay the loans. This is because males are most likely to dominate business situation in the country and most of females come from low income bracket hence.

- The banks may not give loan beyond certain threshold to such people as the number of dependants of an applicant should be clearly looked at. If the number of dependants of an applicant is above four and also is in low income bracket

- Associations like banking and accounting associations and other stakeholders in collaboration with international and local organization may enhance record keeping practices of the enterprises in the country. They may encourage enterprises to hire an expert on the area which makes things difficult for them for record keeping or arrange training that employee themselves can learn and have a record by their own.

5.5 Areas for Further Study

The researcher applauds the followings areas for further study that were not covered by this study: explore other factors that cause loan default among private and government entrepreneurial funds; need to do a comparative study on loan performance among MSEs that receive private and public funds and those receiving microcredit from MFIs and the same study can be duplicated in the regional and rural banks and youth and sector based loan default problems.

REFERENCES

Abreham, Garomsa. (2017). Assessment of factors affecting loan repayment performance of borrowers: An empirical study on selected microfinance institutions in Oromia region. MSc thesis, Addis Ababa University, Ethiopia

Abreham, Gebeyehu. (2002). Loan repayment and its Determinants in Small-Scale Enterprises Financing in Ethiopia: Case of private borrowers Around Zeway Area", M. Sc. Thesis, and AAU.

Abu-Azza, W. O. (2012). *Perceived Effectiveness of the Internal Audit Function in Libya: A Qualitative study using Institutional and Marxist Theories.* Australia: School of Accounting, Economics and Finance; Faculty of Business Law; University of Southern Queensland.

Addisu, M. N. (2007). Micro-finance Repayment Problems in the Informal Sector in Addis Ababa. Ethiopia Journal of Business and Development, 1 (2), pp. 29-50.

Admasu, A. (2012). Factors Affecting the Performance of Micro and Small Enterprises in Arada and Lideta sub-Cities, Addis Ababa. A Thesis submitted to the school of graduate studies of Addis Ababa University in partial fulfillment of the requirements for the Master of Business Administration degree Addis Ababa University, Ethiopia

African Development Bank, (2003). Factors Impeding the Poverty Reduction Capacity of Micro-credit. Abidjan, Côte d'Ivoire.

Al- Mamun, A., Wahab, S., Malarvizhi, C. A. & Mariapun, S. (2011). Examining the critical factors affecting the repayment of microcredit provided by Amanah Ikhtiar Malaysia. *International Business Research, 4*(2), pp-93-102.

Alemu, 2015, Business characteristics as a Detrminant of MSE Growth, International Journal of Accounting research, pp-2-9

Ann Mukono (2015) Determinants of loan repayment by small and medium Enterprises in Nairobi country, MA thesis, University of Jomo Kenyatta, Kenya

Arena, M. & Azzone, G. (2009). Identifying Organizational Drivers of Internal Audit Effectiveness. *International Journal of Auditing,* Volume 13, pp. 43-60.

Assefa, B., Zerfu, A. and Tekle, B. (2014). Identifying Key Success Factors and Constraints of Ethiopia's MSE Development: An Exploratory Research. *EDRI Research Report* 18. Addis Ababa: Ethiopian Development Research Institute.

Brehanu, A. and Fufa, B. (2008). Repayment Rate of Loans from Semi-Formal Financial Institutions among Small-Scale Farmers in Ethiopia: Two-Limit Tobit Analysis. Journal of Socio-Economics, 37 (6), pp. 2221–2230.

Catherine, Dawson. (2009). *Introduction to research methods: A practical guide for any one undertaking a research project*, fourth edition, United Kingdom, Books Ltd.

Central Statistic Authority, (2019). Estimation of Housing and Population Census of Ethiopia. Addis Ababa, Ethiopia.

Changwony, M. K. & Rotich, D. G., 2015. Role of Internal Audit Function in Promoting Effective Corporate Governance of Commercial Banks in Kenya. *International Journal of Business & Law Research,* 3(1), pp. 15-33.

Creswell, J.W. (2003). Research Design: Qualitative, Quantitative and Mixed Methods Approaches, 2nd ed., Sage, London.

Drbie, M., & Kassahun, T. (2013). Deterrents to the Success of Micro and Small Enterprises in Akaki- Kality Sub-City. JBAS, Vol.5 (No. 2).

FeMSEDA. (2011). Micro and Small Enterprises Development Sector Annual Statistical Bulletin. Beminet Printing, Addis Ababa Ethiopia

Fikirte, K. (2011). Determinants of loan Repayment Performance: A case study in the Addis Credit and Saving Institution. Wageningen University. Netherlands.

Gathoni, Nanc and Sayeed, Mohamed. (2014). Determinants of Loan Repayment in Small Scale Enterprises in Developing Countries, Management Studies and Economic Systems (MSES), 1 (2), pp-67-79

Gibson, T. and Van der Vaart, H. (2008). Defining SMEs: A Less Imperfect Way of Defining Small and Medium Enterprises in Developing Countries. Brooking Global Economy and Development

Gobena, Geleta. (2018). Determinants of Loan Repayment Performance of Micro And Small Enterprises: The Case of Oromia Credit And Saving Share Company Branches Under Oromia Special Zone Around Addis Ababa, MA thesis, Addis Ababa University, Addis Ababa, Ethiopia

Haregeweyn, Gebrekidan. (2017). Major Determinant of Credit Default Risk on Micro and Small Enterprises Borrowers, MA thesis, St. Mary University, Addis Ababa, Ethiopia

Kothari, C. (2004). *Research Methodology, methods and Techniques*. New Delhi, India.

Majeeb Pasha and Negese (2014), Performance of Loan Repayment Determinants in Ethiopian Micro Finance - An Analysis, Eurasian Journal of Business and Economics 2014, 7 (13), 29-49

Melkamu, Borena, and Amanu, Daba. (2019). Determinants of Group Loan Repayment Performance of Micro and Small Scale Enterprise's Sectors A Case of East Wollega Zone Oromia Credit and Saving Share Company, Jimma University, Jimma, Ethiopia

Mesele Shiferaw and Mulugeta Abuye. (2019). Determinants of Loan Repayment Performance Evidence from in Small and Midium Enterprise in Case of Gurage Zone Ethiopia, International Journal of scientific and Research publications (IJSRP) 9(11): p9523

Mikir, Melese, and Milkessa, Asfaw. (2020). Determinants of Loan Repayment Performance of Omo Microfinance Institution: In the Case of Mizan Aman Town, Southwest Ethiopia, Jimma University, Jimma, Ethiopia

Mukono, A. (2015). Determinants of loan repayment by small and medium enterprises in Nairobi Country, kenya. University of Nairobi, School of Business, Nairobi.

Muturi, Phyllis. (2016). Assessing Borrower's and Business' Factors Causing Microcredit Default in Kenya: A Comparative Analysis of Microfinance Institutions and Financial Intermediaries, *Journal of Education and Practice* www.iiste.org, ISSN 2222-1735 (Paper) ISSN 2222-288X (Online), Vol.7, No.12, 2016

Nawai, N. & Shariff, M. (2013). Loan repayment problems in microfinance programs that use individual lending approach: A qualitative analysis. *Journal of Transformative Entrepreneurship, 1(*2), 93-99.

Reta, F. K. (2011). Determinants of Loan Repayment Performance: A Case Study in the Addis Credit and Saving Institution, Addis Ababa, Ethiopia, Masters' Thesis, Wageningen University, Netherlands.

Salem, A. A. (2016). Determinants of Loan Repayment Performance: The Case of Micro and Small Enterprises in Dire Dawa Adminstration. Haramaya University, School of Agricultural Economics and Agribusiness.

Samwel, W. and Kevin,O. (2016). Factors affecting clients on loan repayment for microfinance institutions: a case study of PRIDE Arusha, Tanzania: *Internationa journal of scientific and technical research in engineering (IJSTRE)* www.ijstre.com Volume 1 Issue 8

Shantanu, S. & Londhe, D. (2014). Micro Entrepreneurship: Sources of Finance & Related Constraints. Procedia Economics and Finance 11 (2014) 775 – 783, p.1.

Shide, (2012). Small and Medium Enterprises (SMEs) as Drivers of Productive Capacity and Job Creation. The Economic and Social Council (ECOSOC) High Level Africa Regional Consultation. Addis Ababa.

Shu-Teng, L., Zariyawati, M. A., Suraya-Hanim, M. &Annuar, M. N. (2015). Determinants of Microfinance Repayment Performance*:* Evidence from Small Medium Enterprises in Malaysia: *International Journal of Economics and Finance;* Vol. 7, No. 11; 2015

Tolosa, Negese (2014). Performance of Loan Repayment Determinants in Ethiopian Microfinance, MA thesis, Addis Ababa University, Addis Ababa, Ethiopia

Wafula, N.W. (2016). Determinants of Loan Repayment by Borrowers from Micro-Financial Institutions in Nakuru County Kenya. *Journal of Investment and Management*. Vol. 5, No. 5, 2016, pp. 64-69. doi: 10.11648/j.jim.20160505.14.

Wakuloba, R. A. B. (2005). Causes of Default in Government Micro-Credit Program: A Case Study of Uasin Gishu District Trade Development Joint Loan Board, Nairobi.

Wolday Ameha, 2005 Managing growth of microfinance institutions(MFIs) balancing sustainability and reaching large number of clients in Ethiopia, Ethiopian Journal of Economics, Volume XIII, No 2, October 2004, P 62-102

World Bank. (2015). 4 the Ethiopian Economic Update. Published report. Addis Ababa, Ethiopia.

Yamane, Taro. (1967). Statistics, an Introductory Analysis, Harper and Row, New York

Yidnekachew, G/Mariam. (2018). Factors Influencing Loan Repayment Performance Of Micro And Small Scale EEnterprise Borrowers: The Case Of Addis Credit And Saving Institution, MA thesis, St. Mary's University, School Of Graduate Studies, Addis Ababa, Ethiopia

Yilkal, Wassie. (2015). Factors Affecting Women‟s Effectiveness in use of Microfinance and Microcredit Services;Jimma Zone, Southwest Ethiopia.*Global Journal of Management and Business Research:* B Economics and Commerce Volume 15 Issue 10 Versions 1.0,2015.

Zemenu, A., & Mohammed, M. (2014). Determinant of Growth of Micro and small enterprises in Ethiopia (A Case of MSEs in Mekelle City, Tigray). Mekelle: International Journal of Advance Research in Computer Science and Management Studies, 2 (6), pp-149-157.

ANNEX

Appendix I – English Questionnaire for Borrowers

ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
(To be filled by Borrowers)

Dear Respondents,

I am a student at St. Mary's University pursuing a degree in Master of Accounting and finance (MBAAF). I am conducting a research study to assess the loan default problems of Micro and Small Enterprises in Bole sub city, Addis Ababa Ethiopia to fulfill the requirements of the award of the above mentioned degree program. Knowing the loan default problems will have a paramount important to the MSEs and MFIs, to borrowers, to government and others. More over the result of this study will be used as additional reference for those who want to conduct detailed research on the area.

To this end, I have prepared a self – administered questioner to help me gather the pertinent information from the selected MSE's borrowers. The quality of the result of this research is based on the accuracy of the information you provided. Eventually, I promise you, the information you will provide me is going to be reported and communicated in aggregate and utmost care will be taken for its confidentiality.

Your co-operation is highly appreciated. Thank you.

Yours Sincerely,

Ferede Mezgebe
Tel : 09 13 093889

I. Personal Information

Direction - *Direction - Demographic or personal information, **please insert (x) in the box for your appropriate answer***

1. Age

   18 – 35   O   36 - 45   O   46 -55   O   Above 56   O

2. Gender

   Male   O   Female   O

3. Education Level

   High School and below   O   Diploma   O   First Degree   O   Master's Degree & above   O

4. Monthly Income

   Below 5,000   O   5,001 – 10,000   O   10,001 – 15,000   O   Above 15,001   O

5. How long have you worked in MSEs?

   Less than a year   O   1-5 years   O   6- 10years   O   More than 10 years   O

6. Type of Business

   Service   O   Trade   O   Construction   O   Wholesales   O

   Others   O   Please indicate if possible _____

7. Household Size (Number of dependents in the household) -------------------------------

II. The Loan Contract Problems of Loan Default

1. What was the purpose of the loan?

    a) For working capital　　　b) For fixed investment　c) Other _____

2. What is the reason to be late to sign the contract?

    a) Lengthy period of time the bank took in processing

    b) Failures to timely provide the necessary documents.

    c) Failure to timely fulfil the preconditions stipulated on the loan contract

    d) Delay in settlement of the previous loan

    e) Others (please specify) _____

3. How do you perceive and rate loan default problems in terms of **Loan Contract**? Please put "X" mark with the answer you choose. Please note that 1 represents for "Strongly Disagree"; 2 for "Disagree"; 3 for "Neutral"; 4 for "Agree" and 5 for "Strongly Agree

Items	Measurement				
	1	2	3	4	5
I fail to pay my loan as the amount of principal and interests are high.					
The payment frequency creates a loan default problem.					
Payment timing is not convenience for me.					
There is lack of standard collateral requirements by MFIs.					
Collateral requirements hold back me from borrowing what I needed.					
My firm size holds back me from borrowing what I looked-for.					
My firm age holds back me from borrowing what I needed.					
Since I did not understand the loan contract agreement, I fail to pay my loan.					
There is lack of repayment option by MFIs.					
The length of the loan term is short.					

4. Is there any other issues with the loan contract that make you to default in the loan you took?　　　　　　　　　　　　　　　　　　　　　　　　　　　　　　　-

_____

III. Loan Disbursement Problems of Loan Default

1. How do you perceive and rate loan default problems in terms of **Loan disbursement**? Please put "X" mark with the answer you choose. Please note that 1 represents for "Strongly Disagree"; 2 for "Disagree"; 3 for "Neutral"; 4 for "Agree" and 5 for "Strongly Agree

Items	Measurement				
	1	2	3	4	5
There is delay in disbursement due to complicated appraisal.					
There is a problem associated with estimation of the project's cash flow during loan disbursements.					
There is lack of delay disbursement due to my personal problem (not provide appropriate information timely).					
Loan disbursement procedures are long.					
Loan disbursement procedures are complex.					
There is high tendency for corruption in case of loan disbursement.					

2. Would you please specify the major loan disbursement problems?

_____
_____
_____
_____

IV. Loan Collection Problems of Loan Default

1. Which of the following credit collection technique/s/ are mostly adopted by your lender? (apply multiple choice)

    a) Cash/check payment   _____   b) Debiting client account pre undertaking _____

    c) Using reminder letters _____   d) Transferring _____

2. Aspects Forcing Borrowers to Repay Loan in Time

    a) Claim against personal wealth

    b) Claim against Guarantors

    c) Social sanctions (loss of status)

    d) Fear of losing future loan

    e) No reason

3. How do you perceive and rate loan default problems in terms of **Loan collection**? Please put "X" mark with the answer you choose. Please note that 1 represents for "Strongly Disagree"; 2 for "Disagree"; 3 for "Neutral"; 4 for "Agree" and 5 for "Strongly Agree

Items	Measurement				
	1	2	3	4	5
I am worried by high-frequency of collections.					
I am fed up with tight collection controls.					
MSE's lenders do not have a well-organized collection system.					
There is lack of skills of collection officer.					
There is lack of loan collection follow ups.					
There is lack of electronic payment system like mobile banking.					

4. Would you please specify the major loan collection problems?

_____
_____
_____
_____

V. **Business Operations Characteristics Loan Default Problems**

1. What type of labour do you employ?

   a) Family labour   b) hired labour

   c) Both   d) others (please specify) _____

2. How was the market demand status of your product? _____

   _____1. High   _____2. Average   _____3.Low

3. What was the trend of the profitability of your business after engagement in the credit program during the past few years?

   _____ 1. Increased   _____2. Decreased   _____3. No change

4. How do you perceive and rate loan default problems due to business operation characteristics? Please put "X" mark with the answer you choose. Please note that 1

represents for "Strongly Disagree"; 2 for "Disagree"; 3 for "Neutral"; 4 for "Agree" and 5 for "Strongly Agree

Items	Measurement				
	1	2	3	4	5
I fail to pay my loan as I have experienced the possibility of liquidity crisis due to more credit sales					
I fail to pay my loan as lack of business innovativeness my business has been unsuccessful.					
I fail to pay my loan as due to my mistaken business study.					
I fail to pay my loan as due to my business has been failed.					
I face loan default problems due to mismanagement of my business.					
I face loan default problems due to lack of business skills.					
I face loan default problems due to road or any infrastructure development (my business has been declined).					
Lack of providing new product or service, I fail to pay my loan.					
I fail to pay my loan as I have experienced losses because of my poor financial recording.					
I fail to pay my loan as I have experienced losses because of lack of understanding business risk analysis.					
Since I am reluctant to rise outside equity capital for reasons of expanding my business, I fail to management my loan.					
I could not pay my loan due to lack of production failure like lack of input or raw material					

Thank you

Appendix I – Amharic Questionnaire for Borrowers

የ ድህረ ተመራቂዎች ትምህርት ቤት

ቅድስተ ማርያም ሴንቲ ሜሪ ዩኒቨርሲቲ

የብድር ተጠቃሚዎች የብድር አከፋፈል ችግሮች ጥናት

የተከበሩ የጥናቱ ተሳታፊዎች ፤

ስሜ ፈረደ መዝገቡ ይባላል ፡፡ እኔ በቅድስተ ማሪያም ዩኒቨርስቲ በድህረ ምረቃ ትምህርት ተማሪ ነኝ፡፡ በአነስተኛና ጥቃቅን ተቋማት የብድር አከፋፈል ችግሮች ላይ ጥናት በማድረግ ላይ እገኛለሁ፡፡ በመጀመሪያ ስለ ተሳትፎዎን ትብብርዎ አመሰግናለሁ፡፡ ይህ መጠይቅ ለዩኒቨርስቲዉ ድህረ ምረቃ ትምህርት ውስጥ የሚካተት የምርምርና ጥናት ፕሮጀክት ነው ፡፡ ይህ የዳሰሳ ጥናት የተደረገው በአዲስ አበባ በቦሌ ክፍለ ከተማ በአነስተኛና ጥቃቅን ተቋማት የብድር አከፋፈል ችግሮች ላይ የሚሳይ ወይም የሚወስን ምን እንደሆነ ለማወቅ ነው ፡፡

ስለትብብርዎ በድጋሚ አመሰግናለሁ፡፡

ከቅን መልካም ምኞት እና ከሰላምታ ጋር!

ፈረደ መዝገበ

Tel: 09 13 093889

ክፍል 1 - የመላሾች መረጃ እና መግለጫ

አባክዎን በእያንዳንዱ መግለጫ ላይ ባለው ክበብ ውስጥ ምልክት ያድርጉ ::

1. ዕድሜ   18 – 35   O   36 - 45   O   46 -55   O   ➢ 56   O

2. ፆታ   ወንድ   O   ሴት   O

3. የትምህርት ደረጃ   ሁለተኛ ደረጃ ትምህርት ቤት   O   የመጀመሪያ ድግሪ   O   የቅድመ ምረቃ   O   ድህረ ምረቃ   O

4. የገቢ ደረጃ (በወር በኢትዮጵያ ብር)   ‹ 5,000   O   5,001 – 10,000   O   10,001 – 15,000   O   › 15,001   O

5. ሥራ   ማናጀር   O   ባለቤት   O   ሂሳብ ሰራተኛ   O   ሌላ   O

6. ከአነስተኛና ጥቃቅን ተቋማት ጋር ማን ያህል ዓመት ሰሩ   ‹ 1 ዓመት   O   1-5 ዓመት   O   6- 10 ዓመት   O   › 10 ዓመት   O

7. የንግድ ዓይነት   አገልግሎት   O   ንግድ   O   ኮንስትራክሽን   O   ጅማላ   O

                ሌላ   ———————————————

8. የቤተሰብ አባላት   ————————

ክፍል II - ከጥናቱ ጋር የተዛመዱ ጥያቄዎች

I. የብድር ዉል ጋር የተገናኘ ብድር ያለመክፈል ችግሮች

1. የብድሩ ዓላማ ምን ነበር?

   ሀ) ለስራ ማስኬጃ   ለ) ለቋሚ ንብረት   ሐ) ሌላ (እባክዎን ይግለጹ) _____

2. የብድር ዉሉን ለመፈረም የዘገየበት ምክንያት

   ሀ) የባንክ አሰራር ረጅም ጊዜ በመዉሰዱ

   ለ) አስፈላጊ መረጃዎችን የማቅረብ ችግር

   ሐ)) የብድር ዉል ቅድመ ሁኔታዎችን ማማላት አለመቻል

   መ) ከዚህ ቀደም የነበረኝ ብድር ዘግይቶ መክፈል

   ሠ) ሌላ _____

3. የሚከተሉት ጠያቄዎች ከብድር ዉል አንፃር የብድር አከፋፈል ነባሪ ችግሮችን እንዴት ይመለከታሉ እና ደረጃ ይሰጣሉ የሚሉ ናቸዉ? እባክዎን ከመረጡት መልስ ጋር የ "X" ምልክት ለማድረግ 1 ለ "በጣም አልስማማም" ይወክላል; 2 ለ "አልስማማም"; 3 ለ "ገለልተኛ"; 4 ለ "እስማማለሁ" እና 5 ለ "በጥብቅ እስማማለሁ"ይወክላል፡፡

የጥቄዎች መግለጫ	መለኪያ				
	1	2	3	4	5
ከብድር ዉል አንፃር የብድር አከፋፈል ችግር የሆነብኝ የብድሩ መጠንና ወለዱ ከፍ ያለ በመሆኑ ብድሬን መክፈል አልቻልኩም፡፡					
የክፍያው ድግግሞሽ የብድር አከፋፈል ላይ ችግርን ይፈጥራል፡፡					
የክፍያ ጊዜ ለእኔ ምቹ አይደለም ፡፡					
በ 'MFIs' -ኤምኤፍአይዎች- መደበኛ የብድር መያዣ መስፈርቶች እጥረት አለ፡፡					
በብድር ዋስትና የሚያስፈልጉ ነገሮች የምፈልገውን ከመበደር ወደኋላ ያደርጉኛል ፡፡					
የእኔ ድርጅት መጠን (አነስተኛ መሆን) የፈለግኩትን ከመበደር ይከለከልኛል ፡፡					
ድርጅት እድሜ (ድርጅቱ ከተመሰረተ) የፈለግኩትን ከመበደር ይከለከለኛል ፡፡					
የብድር ዉል ስምምነት ስላልገባኝ (በደንብ ስላልተረዳሁት) ብድሬን መክፈል አቅቶኛል					
በ 'MFIs' ኤምኤፍአይዎች የብድር በከፋፈል ወይም የመከፈል አማራጭ የለም ፡፡					
የብድር ጊዜው ርዝመት አጭር በመሆ ብድሬን መክፈል አልቻልኩም፡፡					

4. በወሰዱት ብድር ውስጥ ብድር እንዳይከፍሉ የሚያደርግዎት የብድር ውል በተመለከተ ሌሎች ጉዳዮች ካሉ ይግለፁ?

_____

_____

_____

II. የብድር አሰጣጥ ችግሮች

1. የብድር መስጠትን በተመለከተ የብድር ብድር ችግሮችን እንዴት ይመለከታሉ እና ደረጃ ይሰጣሉ? እባክዎን ከመረጡት መልስ ጋር የ "X" ምልክት ለማድረግ 1 ለ "በጣም አልስማማም" ይወክላል; 2 ለ "አልስማማም"; 3 ለ "ገለልተኛ"; 4 ለ "እስማማለሁ" እና 5 ለ "በጥብቅ እስማማለሁ"ይወክላል::

የጥቄዎች መግለጫ	መለኪያ				
	1	2	3	4	5
በተወሳሰበ የብድር ምዘና ምክንያት የብድር መክፈሉ መዘግየት አለ ::					
በሚሰጡት ጊዜ ከፕሮጀክቱ የገንዘብ ፍሰት ግምት ጋር ተያይዞ ችግር አለ ::					
በግል ችግሬ ምክንያት የመዘግየት ከፍያ እጥረት አለ (ተገቢውን መረጃ በወቅቱ አለማቅረብ) ::					
የብድር አሰጣጥ ሂደቶች ረጅም ናቸው ::					
የብድር አሰጣጥ ሂደቶች ውስብስብ ናቸው ::					
ብድር በሚሰጥበት ጊዜ ለሙስና ከፍተኛ ዝንባሌ አለ ::					

2. እባከዎን ዋና ዋና የብድር አሰጣጥ ችግሮችን ይጥቀሱ?

_____
_____
_____
_____

III.   የብድር አሰባሰብ ችግሮች

1. ከሚከተሉት የብድር አሰባሰብ ቴክኒኮች መካከል የትኛው በአብዛኛው በአበዳሪያ ይወሰዳል? (ብዙ ምርጫን ይተግብሩ)

ሀ) የጥሬ ገንዘብ / ቼክ ክፍያ   _____   ለ) የደንበኛ ሂሳብ ዕዳ በመጀመር ላይ _____

ሐ) ደብዳቤ በመላክ ወይም በመጠቀም _____   መ) በማስተላለፍ _____

2. የብድር ማሰባሰብን በተመለከተ የብድር ብድር ችግሮችን እንዴት ይመለከታሉ እና ደረጃ ይሰጣሉ? አባክዎን ከመረጡት መልስ ጋር የ "X" ምልክት ለማድረግ 1 ለ "በጣም አልስማማም" ይወክላል; 2 ለ "አልስማማም"; 3 ለ "ገለልተኛ"; 4 ለ "እስማማለሁ" እና 5 ለ "በጥብቅ እስማማለሁ"ይወክላል።

የጥቄዎች መግለጫ	መለኪያ				
	1	2	3	4	5
በብድር ክፍያ ከፍተኛ ድግግሞሽ እጫነቃለሁ ።					
በብድር ክፍያ ቀጥተር ወይም የብድር ስብስብ መቆጣጠሪያዎች ተሰላችቻለሁ።					
MSE አበዳሪዎች በደንብ የተደራጀ የብድር መሰብሰቢያ ስርዓት የላቸውም ።					
የብድር ስብሳቢያች ወይም ባለሙያዎች ሙያዊ ክህሎቶች እጥረት አለ ።					
የብድር አሰባሰብ ክትትሎች እጥረት አለ ።					
ሞባይል ባንኪንግ የመሰሉ የኤሌክትሮኒክ የብድር ክፍያ ሥርዓት እጥረት አለ ።					

3. እባክዎን ዋና ዋና የብድር አሰባሰብ ችግሮችን ይጥቀሱ?

_____
_____
_____
_____

IV.   *የንግድ ሥራዎች ባህሪዎች በተመለከተራዑብድር አለመከፈልራችግሮች*

1. እንደዚህ ዓይነቱን ኢንተርፕራይዝ በማስተዳደር ሥራ አስኪያጁ ወይም እርስዎ (ሥራ አስኪያጁ ከሆኑ) ስንት ዓመት ልምድ አለዎት --

2. ምን ዓይነት ሰራተኞችን ቀጥረዉ ያሰራሉ?

ሀ) ቤተሰባዊ ሰራተኞችን   ለ) የተቀጠፉ ሰራተኞች   ሐ) ሁለቱም

መ) ሌሎች (እባክዎን ይግለጹ) _____

3. የእርስዎ ድርጅት የገቢያ ሁኔታ ወይም ፍላጎት ሁኔታ እንዴት ነዉ? _

   ሀ) ከፍተኛ _____   ለ) አማካይ _____   ሐ) ዝቅተኛ

4. ባለፉት ጥቂት ዓመታት በብድር ፕሮግራም ውስጥ ከተሳተፉ በኋላ የንግድዎ ትርፋማነት አዝማሚያ ምን ነበር?

   1. ጨምሯል _____   2. ቀንሷል _____   3. ምንም ለዉጥ የለም

5. በንግድ ሥራ ባህሪዎች ምክንያት የብድር ብድር ቸግሮችን እንዴት ይመለከታሉ እና ደረጃ ይሰጣሉ? አባክዎን ከመረጡት መልስ ጋር የ "X" ምልክት ለማድረግ 1 ለ "በጣም አልስማማም" ይወክላል; 2 ለ "አልስማማም"; 3 ለ "ገለልተኛ"; 4 ለ "እስማማለሁ" እና 5 ለ "በጥብቅ እስማማለሁ" ይወክላል::

የጥቄዎች መግለጫ	መለኪያ				
	1	2	3	4	5
በብድር ሽያጭ ምክንያት የገንዘብ እጥረት ስላጋጠመኝ ብድሬን መክፈል አቅቶኛል ::					
የንግድ ሥራ ፈጠራ እጥረት ስላለብኝ እና የእኔ ንግድ ስኬታማ ባለመሆኑ ብድርዬን መክፈል አቅቶኛል ::					
በተሳሳተ የንግድ ሥራ ጥናት ምክንያት ብድርዬን መክፈል አቅቶኛል ::					
በንግድ ሥራዬ ስለከሸፈ ብድርዬን መክፈል አቅቶኛል ::					
በንግድ ሥራዬ ብልሹ አሠራር ምክንያት የብድር መክፈል ቸግሮች ይገጥሙኛል ::					
በንግድ ችሎታ እጥረት ምክንያት የብድር መክፈል ቸግሮች ይገጥሙኛል ::					
በመንገድ ወይም በማንኛውም የመሰረተ ልማት ግንባታ ምክንያት የብድር መክፈል ቸግሮች ይገጥሙኛል (ንግዴ የተዳከመነዉ) ::					
አዲስ ምርት ወይም አገልግሎት አለማቅረብ ብድርዬን መክፈል አቅቶኛል ::					
በደካማ የሒሳብ መዝገብ አያያዝ ምክንያት ኪሳራ ስለገጠመኝ ብድሬን መክፈል አቅቶኛል ::					
የንግድ ሥራ ሥጋት ትንታኔን ባለመረዳቴ ኪሳራ ስለገጠመኝ ብድሬን መክፈል አቅቶኛል ::					
ንግዴን ለማስፋት ምክንያት ልዬ የካፒታል ምንጭ ስለሌለኝ ብድርን በተገቢዉ ማስተዳደር አልቻልኩም ::					
እንደ ግብዓት እጥረት ወይም ጥሬ እቃ እጥረት ባሉ የምርት እጥረት ምክንያት ብድሬን መክፈል አልቻልኩም					

ኡመሰግናለሁ!

Appendix II Interview Check List

I am Ferede Mezgebe a student of St Marry University. I am conducting an academic research on loan default problems. I have few questions that related to the study are.

     Can I proceed? Thank you!

1. What are socio-economic factors in terms of gender, educational level, marital status and household income level and peer pressure in group based schemes that embroidered loan default problems of small and micro enterprises in Bole sub city of Addis Ababa City?

   _____
   _____
   _____
   _____

2. What are institutional factors in terms of lender side are high-frequency of collections, tight controls, and a good management of information system, loan officer incentives and good follow ups as well as the size and maturity of loan, interest rate charged by the lender and timing of loan disbursement that exaggerated loan default problems of small and micro enterprises in Bole sub city of Addis Ababa City?

   _____
   _____
   _____
   _____

3. Are there differences among socio-economic factors for loan default problems of small and micro enterprises in Bole sub city of Addis Ababa City

   _____
   _____