

INDEPENDENT VARIABLE IMPACT ON LOAN REPAYMENT DEFAULT IN OMO MICROFINANCE INSTITUTION – KONSO WOREDA

Mr. Betgilu Oshora*

Abstract

Delinquency or default of loan repayment in Micro finance besprinkling the poison on healthy environment of Microfinance in all over the world. The basic objective Micro finance, bringing new light to poor people life and secure their hopes, colorful dreams about future which are shrinking day by day but slowly this objective losing brightness by shrouded darkness. Now, micro finance institutions as well as people are facing so many problems because of indebtedness. Borrower's inefficiency is main cause to understand and implement the funding strategies for better utilization of micro finance loan. Various problems like lack of education, huge family structure, insufficient loans, lack of transportation, and lack of awareness about market etc, shows more impact on borrower's loan repayment. Ethiopia micro finance institutions are also facing problems by loan defaulters. This paper explains the inefficiencies of different characteristics by classifying the two variables like dependent and independent variable. In this paper, researcher tried to analyze, characteristics of independent and dependent variables and how independent variable shows impact on dependent variable etc., in Omo Micro finance – Konso Woreda. Researcher used Qualitative and Quantitative methods for collect the primary and secondary data. A descriptive survey research design was employed in this study, purposive sampling technique used to assess the causes of loan repayment default by the borrowers from OMFI in Konso woreda. The study was made on Konso woreda which comprises 43 kebeles.

Keywords: Micro finance Institution, Default Loan repayment, independent variable, borrowers.

* Chair person, Accounting and Finance Department, College of Business and Economics, Aksum University, Aksum, Ethiopia.

1. Introduction:

Since its origins in the late 1990s, Ethiopia's micro finance sector has shown significant growth in terms of the total number of clients, gross loan portfolio, geographic outreach and savings mobilization. National Bank of Ethiopia released reports in 2011, the micro finance industry having 31 micro finance institutions, serving to 2,470,641 clients and provided loan to the borrowers 6,883,135,916 birr. But this performance shows one side of the coin another side of the coin, clients is striving with their limited financial sources to repay the micro finance loan and some borrowers are selling their valuable assets by frustration.

In the year 2010, More than 60 persons committed suicide due to indebtedness in Andhra Pradesh, India. This incident caused to re-think about microfinance debts and repayment capacity of borrowers. Micro finance institutions are providing loans to the clients, poor people with low interest rates and supporting them to bring out from the abyss. Loan processing, taking and spending on various development things are easy but who will predict exactly what will be happening in the future? Physically, mentally and financially every borrower centralizing his high efforts for their colorful future, finally some borrowers standing alone in dissert with tearful eyes.

Microfinance institutions all over the world including Ethiopia are facing with the challenge of loan default/delinquency. Loan default can be defined as the inability of a borrower to fulfill his or her loan obligation when due. Most microloans are unsecured or insufficient collateral assurances. Delinquency/default can quickly spread to all over the nation because poor and middle class exposed to the same external threats such as lack of demand for clients products, livestock disease outbreak, bad weather etc. In case of group micro finance, a default by one borrower affects the credit rating of the group as whole and causes them to default. These factors create volatility in microloan portfolio quality, heightening importance of controlling credit risk. When micro finance institutions fails to take back their loan amount with interest, the overall financial condition of the micro finance suffers with serious vulnerability.

In this study, researcher has collected information from the clients/Borrowers in Konso Woreda about their capacities of loan repayment to the micro finance with the help of individual interviews and group interviews. A 36 years old, grade 8th literate urban client said in his words

“Micro finance institution was not provided sufficient loan to me. I was diverted my earlier plan from service activities to animal fattening. However, I was not planned for animal fattening and also I have no experience for it, I was unable to make effective. When my oxen size was started to decrease day by day, I feared about their death and sold them with discount rate. Finally, I cleared the loan by selling my additional asset”. This experience belongs to only one cause of insufficient loan, here so many experiences shared by borrowers about lack of training, lack of education and insufficient age, group members support and other external demerits.

After hearing these experiences, Researcher tried to identify the causes for delinquency of borrowers in loan repayment. He used two variables for develop the study. The variable description and measurement of the study helps to estimate the inefficiency of clients, business and lenders characteristics for loan delinquency. The study concentrated to identify the actual causes and factor for default loan repayments. What factors shows impact for default loan repayments?, why borrowers are failed to repay the dues? etc. knowing is very important to control the default risk in micro finance. Here researcher classified all factors which show impact on micro lending by the two variables viz., independent variables and Dependent variable. Independent variables/Factors describe the reasons why borrowers are unable to repay the loan and dependent variable explains how it will affect by independent variable.

1.1. Statement of problem:

“Low interest rate loans attracts the poor people but it pushes to shrouded darkness to them” it is not apt for all borrowers those who took loan from micro finance institutions, but some borrowers suffering to repay the loans. Poor and small borrowers are dreaming colorful future before taking the loan but slowly the loan repayment becoming more burdens to them. Inefficiency of Lenders, borrowers, and Business characteristics are caused to push the borrower as a defaulter in loan repayment. The increasing rate of loan repayment defaulters is serious challenge to micro finance institution in Ethiopia, Omo Micro finance institution-Konso Woreda is not exceptional for this. In this paper researcher collected information from Konso woreda micor finance borrowers and he tried to identify the problems, why borrowers are becoming Loan defaulters in Konso woreda? What causes behind that? How independent variable characters shows impact on Loan repayment? Etc.,

1.2. Objective of the Study

The general objective of the study, identify and analyze the independent variable characters impact on micro finance loan repayment default in Konso Woreda and specific objectives are,

- ✓ To collect sufficient information and their experiences from the micro finance borrowers about default of loan repayment,
- ✓ To identify causes, why the Omo micro finance borrowers are becoming loan defaulters in Konso Woreda,
- ✓ To analyze the independent variable characters of Clients, Lenders, and Business
- ✓ To analyze the impact of independent variable on dependent variable.

1.3. Significance of the Study

The study sought to determine and analyze the causes for inefficiency of borrowers' loan default of Omo Micro Finance Institution in Konso Woreda. This study creates awareness to the borrowers by explaining the causes why borrowers are becoming defaulters, gives a clear picture to the micro finance borrowers for proper utilization of loan and provide plan to clear the loan amount. It also becomes a root map to the Omo Microfinance institution- Konso Woreda, what intermediary variable activities/Characteristics like training, group discussions, explain product plans, usage etc, are essential to maintain in micro finance institution to control the default borrowers in loan repayment at Konso Woreda.

1.4. Scope of the Study:

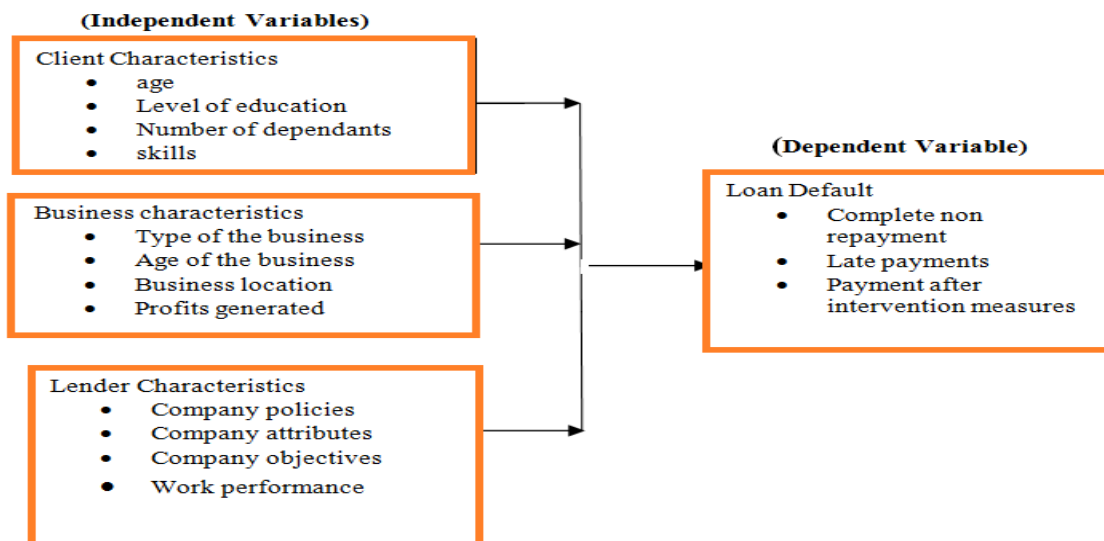
The study was limited to Omo Micro finance institution-Konso Woreda on default loans. The study of this paper is useful to the Omo microfinance institution to take precautions before lend the money to the borrowers. OMFI clients also get the awareness by knowing the causes and experiences of the defaulters in loan repayment. The study range expands to business people, commercial banks and other private loan lenders those who are taking and receiving small loans. The basic knowledge of this paper mentions the seriousness of loan repayment defaults to the government for supporting the poor people and bringing new policies.

1.5. Limitations of the study:

During this study, researcher gave priority only to the clients those who took loan from Omo micro finance-Konso Woreda, he did not considered office employees, agents, lenders and other business people of micro finance institution. All information collected from the borrowers those who suffered to repay the loan as well as active clients for general opinion. This study may not be provide accurate result because of so many hurdles like lack of money, lack of time, no transport access, absence of respondents etc.,. Researcher not collected 100% information which was related to study.

1.6. Literature review:

It contains the relevant experiences, factors which are relative to the loan default in micro finance at Konso Woreda. Here, researcher discussed basic characteristics of clients, Lenders and business. He considered all inefficient characteristics which have same nature caused to loan default named as independent variable and which is affected by these all inefficient characters named as Dependent variable like Loan default. The following conceptual frame explains the nature of variables.



The repayment capacity of the borrowers in micro finance depends on the various factors. Effective utilization of loan is one of the biggest factors in that. When the borrower utilized loan effectively, automatically he will get the strength to recover the loan but borrower has to overcome so many hurdles for effective utilization of loan.

Messele (2002) identified that lack of competition, shortage of loan capital, lack of commercial loan, weak law enforcement and weak governance structure were identified as some of the problems facing Ethiopian microfinance institutions. Therefore, MFIs should learn from what their clients wanted and then produce financial products by incorporating the information from the market research or needs survey on one hand and develop built-in tools to measure the impact of their program on the needs of their clients on the other (Wolday Amha, 2002).

The study by Flavian Zeija (2009) on legal requirement of profitability, sustainability and loan recovery by arrest and imprisonment in Uganda found some of the factors that affect the effective utilization of loan (indirectly these factors are caused to loan delinquency): Multiple borrowing, Fraud by clients, Lack of monitoring by one of the loan officer, Group homogeneity, Poor record keeping, Receiving instrumental loan, Conflict in the group, Loss of a job, Domestic violence, Information gap to clients, Loan diversion etc.,.

According to findings of Girma (1996) and Agnes (2001) as cited in Flavian Z. (2009), the effectiveness in the utilization of loan funds depends on lending methodology, educational background, training or supervision, use of loan for requested purpose, getting amount of loan requested, timing of loan disbursement, poor approval procedures & failure of business.

Omo Micro finance borrowers in Konso Woreda also facing rural and agriculture marketing problems these are disturbing the loan repayment environment by serious challenges like high transaction costs, variability to use technical tools, seasonality, weak instrument capacity, lack of reliable information etc.,.

So many authors shared their views and many reviews are disclosing the factors of loan default in microfinance. In this paper, researcher putting efforts to bring all inefficient characteristics of lenders, clients and business which are causing to loan repayment default to the one roof. This paper explains how borrower himself he is responsible for delinquency of loan repayment, what precautions have to take by the micro finance institutions in future and how business factors are effect to effective loan repayment etc.,.

Omo Micro Finance-Konso Woreda:

Omo Micro Finance Institution is one of the largest MFIs, which is operating in SNNPR. OMFI is established on August 14, 1997 as a share company as per National Bank of Ethiopia proclamation No. 40/1996 with the mission, vision and objectives as follows:

Vision is to see economically strong region where people are free from poverty and well-developed institution that provides demand driven financial service for all in a sustainable way.

Mission is to take part in playing an important role in the struggle to alleviate poverty and bring about a sustainable economic development in the southern peoples region by providing financial service to the economically active but resource poor and stimulate individual initiatives for self reliance and food self sufficiency.

The general objective of the institution is creating sustainable access to financial and non-financial services for economically active poor and Micro & Small Scale Enterprises in the region to put their business ideas into effect generate income and improve their living standards.

Its specific objectives are:

- To deliver financial services to large number of productive but resource poor people in rural and urban areas in a cost effective and sustainable way;
- To empower poor women by improving access to financial services;
- To increase agricultural products and productivity by improving access to financial services;
- To reduce exploitation of the poor by local money lenders;
- To increase self employment and entrepreneurial skill.

OMFI currently operates in the different areas of SNNPRS, its head office being in Hawassa. It operates in all the 13 zones of the region, all 4 special woredas and Hawassa town. Totally, OMFI has 14 branch offices. Now, it operates in 157 sub branches which comprise of rural woredas, zonal towns, sub town offices and satellite offices at kebele level. OMFI has also recently recruited saving and credit agents at Kebele levels and they are responsible for saving mobilization, promotion on saving and credit, and repayment collection. The institution's main

financial products are credit and savings. It also manages pension fund payments and micro lease.

Among the 157 sub branches of OMFI where it operates, Konso woreda is one of the operational areas of OMFI. Konso woreda is composed of 2 city kebeles and 41 rural kebeles with sub total of 43 kebeles however currently OMFI are operating only in 41 kebeles out of 43 kebeles which implies there was outreach problem. In addition to that, out of 41 kebeles where OMFI are operating only 25 kebeles got saving and credit agents which implies lack of human resources.

OMFI provides both financial as well as non-financial services to the poor livelihood throughout both sparsely settled city and rural kebeles of the woreda. The financial services delivered by OMFI are credit and saving services. The target clients eligible for its services are the active poor who are willing to engage in income generating activities to improve his/her living standards and then run out of poverty.

The loan size provided for rural household is different from that of urban households due to consideration capacity of clients for collateral requirement. The size of loan for rural begins from minimum amount of Birr 3,000 up to maximum of Birr 5,000 while loan size for urban households begins from Birr 5,000 up to maximum of Birr 10,000 and by looking the repayment performance of the client, the loan size are expected to increase from one round to the next round when the repayment performance of the clients is good. However, if the client's repayment performance was poor, the loan size may be declined or even stopped. In addition to that depending up on the purpose of loan, the repayment capacity of the borrower and business plan of the clients, the initial size of the loan may be higher than the first round loan size set by the institution but does not goes beyond the maximum limit of the loan size which is Birr 5,000 for rural and Birr 10,000 for urban. OMFI charges an interest rate of 15% for term loans for the rural clients and 10% for term and installment loans to MSEs in urban areas. Group contains mostly between three to five members and they elect their own leader. Group members are jointly responsible for the loan. They will take the risk if one of a group member fails to repay the loan. Similarly the individual loan requires property or salary of permanent employees as collateral.

Apart from financial services, OMFI provides non-financial services to its clients. The major non-financial services provided by OMFI are training, encouragement, orientation of new clients,

supervision, follow-up, and monitoring for effective utilization and experience sharing among clients. Orientation is regularly provided for new clients of OMFI for about ten to thirty hours before the loan is provided. The service provided criteria to be a client, methodologies, amount provided, term of loan, and some other relevant information. However, the institution in the study area does not provide business development training with reference to marketing, record keeping, which require further work. On-the-job training is delivered for the staff to build their capacity.

Supervision, follow-up and monitoring is provided after the loan is given to the clients to check whether the clients are using the loan from the institution for intended purpose and in productive activities.

2. Research methodology:

A descriptive survey research design was employed in this study to assess the causes of loan repayment default by the borrowers from OMFI in Konso woreda. This survey method is efficient in collecting large amounts of information within a short time. Through this survey we can collect clear information that, views, opinions, attitudes and suggestions for improvements regarding of the phenomenon under study. The descriptive survey design was adopted in this study because the effect, i.e. the independent variable characteristics for loan repayment default was studied after that it exerted how independent variable showed impact on dependent variable (loan defaulting).

2.1. Research Population

The study was made on Konso woreda which comprises 43 kebeles (including two city kebeles and 41 rural kebeles). OMFI are operating in 41 kebeles out of the 43 kebeles of the woreda and those kebeles are taken as a research population for the study. The total actual numbers of clients were not reflected here due to lack of documented current relevant information.

2.2. Sample Design and size:

By using purposive sampling techniques 2 entire city kebeles were selected and by using systematic sampling technique 8 kebeles among 39 kebeles of rural in which OMFI are operating was selected by taking the first four top kebeles having large clients and from the bottom the first

four kebeles having lowest clients. Therefore, a subtotal of 10 kebeles (24%) out of the total 41 kebeles (100%) in the woreda in which OMFI is currently operating was selected as a sample population.

Random sampling techniques were used to select the sample kebeles by taking the borrowers list from each kebeles credit and saving agents. There are a total number of 500 clients in the total 10 sample kebeles, again by applying judgmental sampling technique we selected systematically 50 (10%) clients from the total number of borrowers.

2.3. Data collection Methods and Instruments:

Both primary and secondary data sources were used to obtain relevant information and for attainment of these research objective. The **primary source of data** was obtained from clients of OMFI at the study area through structured interview made for sample respondents of clients. The Interview questionnaires were prepared in English language and researcher orally translated language in Konsenga which they can understand. The group discussions, face to type of interviews are expected to enable the enumerators and respondents to easily understand the questions express their ideas comfortably and reduce communication barriers. **Secondary data** were obtained from different documents and reports of the institution, journals, websites, and other literature which are relevant to the objective of the study.

2.4. Method of data Analysis:

This research presents the findings of the study, analysis of data and presentations of major findings For the purpose of analyzing the facts and reasons of failure to loan repayment by Omo Micro Finanace Borrowers in Konso Woreda. The Impact of the independent variable on dependent variable is presented in the form of tables, frequencies and percentages which are applicable and convenient to the research.

4. result and analysis:

4.1. Researcher analyzed and interpreted the data on the basis of independent variable characteristics. The borrower characteristics are classified by three parts viz., client, lender and business point of view for asses the exact causes of default loan by the borrower. He identified

and interpreted causes for the delinquency of the loan repayment with the help of table -1 personnel characteristics of borrower, table-2 other characteristics including business and lender activities finally he analyzed the causes of dependent variable (Default loan) in table-3.

4.1.1. Characteristics of Respondents

Primary data information explains the relation between independent and dependent variable. The study is useful to identify, how borrower characteristics are effecting to delinquency of loan repayment and finally how they are becoming defaulters. The following tables are provides information about client characteristics and its impact on default loan.

Table-1 Character wise Analysis for loan Default

Characteristics	Fully repaid		Capable to pay the loan		Unable to re-pay the loan		Total Resp...
	Respond..	%	Respond..	%	Responds	%	
1. Gender							
Male	6	75	26	81.25	3	30	35
Female	2	25	6	18.75	7	70	15
Total	8	100	32	100	10	100	50
2. Age							
Below 25 years	5	62.5	0	00.0	1	10	6
25 to 45 years	3	37.5	26	81.25	2	20	31
45 more	0	00.0	6	18.75	7	70	13
Total	8	100	32	100	10	100	50
3. Education level							
Illiterate	7	87.5	19	56.25	2	20	28
Grade 1-8	1	12.5	7	21.875	1	10	9
Grade 9-12	0	00.0	5	15.625	1	10	6
Certificate	0	00.0	1	3.125	4	10	5
Diploma	0	00.0	0	00.0	2	20	2
Total	8	100	32	100	10	100	50
4. Marital Status							

Married	7	87.5	24	75	4	40	35
Single	1	12.5	7	21.875	4	40	12
Divorced	0	00.0	1	3.125	2	20	3
Total	8	100	32	100	10	100	50
5. Skills usage							
with Group	5	62.5	12	40	4	40	21
Individual	3	37.5	20	60	6	60	29
Total	8	100	32	100	10	100	50

(Source: Primary Data)

As per table -1 researcher explained how individual characteristics of respondents show the impact on loan repayment default in microfinance institution at Konso Woreda. Researcher considered respondents gender, age, education levels, marital status and skills etc, because these characteristics provides the awareness and basic knowledge of respondents. Researcher collected information from 50 individual respondents out of these, only 10 (20%) respondents failed to repay the loan but remaining (80%) 40 respondents information is useful to compare the data (See explanation in Table-3) and need to find accurate causes and also helpful to collect different opinions, reasons for develop the data analysis.

In gender classification, researcher collected information from 35 male and 15 female respondents. 3 male and 7 females are failed to repay the loan amount. Here female loan defaulters are more because overall female respondents 15 out of these 7 (47%) respondents became loan defaulters, this percentage is more high compare with male population. Out of these, most of the females are married and they are in more than 25 years of age. Irresponsibility of husbands, lack of support from family members, more family problem, children health conditions etc are causes to their failure of loan repayment. Particularly in lower middleclass families, females are more responsible to handle family rather than gents. These character also one of the causes to bear more expenses and fewer saving of females.

Based on age, 9 out of 10 respondents became loan defaulters and most of the respondent's age above 45 years. Their age and other family responsibilities, health conditions, lack of market awareness, and lack of financial plans are main reasons to fail the repayment of loan.

Education levels and marital status are also shows impact on loan repayment. Surprisingly, 6 out of 10 respondents are certificate and more than diploma holders were unable to repay the loan, few respondents are failed to repay the loan those who were completed less than certificate courses. As per these data, those borrowers who took loan from micro finance institution mainly who were in less than certificate course they are clearing the loan by fear and pressure from loan amount collecting agents but those who completed certificate course and above, their living style, luxuries, high expectations of profits, less fear about penalties and legal actions may be reason to increase the percentage of loan default. In case of married status most of the defaulters are married. Lack of cooperation between wife and husband family maintenance expenses and other reasons are basic cause for their helpless financial condition. Some respondents are married but not maintain any family relation; researcher treated them as diverse couple.

Mrs. Mulu a house maid said “My husband is Bajaj (three wheel vehicle) driver, one year before when I was in 6 months pregnant, he went Hawasa he did not come back. I blessed by baby girl and since 9 months I have been taking care everything about my girl. He is not helping in any aspect.” This experience is one of the examples for irresponsibility of husbands. More female respondents are facing these kinds of problems and finally they are failing to repay the borrowings.

When respondents putting their efforts in group or single for proper utilization of loan amount, individuals are facing more problems, lack of training, other people support, lack of individual worth to utilize their skill and other individual habits are main reason for this. In case of group, 4 respondents are failed to pay the loan amount, lack of co-ordination, individual, family burdens are causes to loan default.

Table -2 Lenders, Business and Other Characters are influencing for loan Repayment default

Characteristics/Factors	Respondents						Total
	SA	%	A	%	NA	%	
1.Business Characteristics:							

Choosing wrong Business	36	72	12	24	2	4	50
Outdated business/ age	16	32	22	44	12	24	50
Location of the Business	27	54	22	44	11	22	50
Poor profits	30	60	15	30	05	10	50
2.Lender Characteristics:							
Strict Policies & Rules	16	32	12	24	22	44	50
Agents behavior & negligence	24	48	17	34	09	18	50
Insufficient loan amount	41	82	08	16	01	2	50
Lending methodology	26	52	18	36	06	12	50
Poor administration/ monetering	36	72	12	24	02	04	50
3. other reasons							
Inefficient fund planning	31	62	10	20	09	18	50
Lack of product demand	28	56	14	28	08	16	50
Poor transportation	40	80	08	16	02	04	50
Other reasons	22	44	19	38	09	18	50

(Source: primary data)

Table-2 describes the information about other characteristics for loan repayment default in microfinance institution. Business, Lenders and other characteristics inefficiency is basic cause to loan repayment default. Researcher had conducted interviews with 50 respondents and collected information about inefficiencies for loan repayment. Every characteristic has individuality because researcher collected information by separate questions for every characteristic. Most of the respondents (more than 60%) agreed that the borrowers are choosing wrong business, earning insufficient profits and business location also not sufficient to continue the business. In Konso woreda 41 out of 43 kebeles located in rural area. Some areas are not supporting to do trade businesses, Service sector also not working effectively. Village background, lack of transportation, lack of commercial areas, lack of location awareness of the people, lack of place decision as per product demand and high rents of commercial areas etc, are dominating borrowers choosing option. Based on these, borrowers are not earning sufficient amount to repay the loan amount.

Another negative shade of independent variable shows impact from lenders side. Lender characteristics are also disturbing the loan repayment environment. Insufficient loan is major problem to the borrowers. Almost 80% of the respondents strongly accepted that the insufficient loans completely pushing to the borrower in to the troubles. When lenders are providing insufficient loans, borrowers are approaching unauthorized financiers with high interest rates. Sometimes borrowers are using their insufficient amount for personnel works. Finally they are failing to fulfill their basic objective and misusing the loan amount and their personnel assets.

Poor administration is another problem from lenders side. 72% respondents are accepted these cause because lack of punctuality to collect loan installment from borrowers, lack of training classes, lack of observation, negligence of agents and employees and some other reasons are affecting the bad performance of borrowers in loan repayment. Lending methodology also one of the common causes for loan defaulters, Generally micro finance institutions gives the priority to groups for sanction the loan because it is risk less compare with individual loans. Individuals face the so many problems from different aspects if any abnormal situation appears like death, serious illness no other person ready to take responsibility of loan even though the person is close family member. In case of group remaining persons will share the responsibility of loan. Based on this reason, individuals are generally not capable to take more loan amount from the lenders. If anyone gets huge or sufficient loan amount he should be mortgage huge value of asset to the micro finance institution. 48% of respondents particularly mention the cause of agents' negligence.

One thing should be appreciable here strict policies and rules are not showing more impact on loan repayment default, because 44% of respondents were not accepted that this cause becomes a major reason for loan default. It indicates the awareness of borrowers on micro finance loan repayment. They know perfectly about rules but their poor financial condition is not supporting to repay the loan amount.

Finally in independent variable, other characteristics are also involved to exhibits the inefficiency of borrowers loan repayment. Individual, Group decision makings, market conditions, environmental and political reasons etc., are shows impact on loan default. In this study 41 kebeles are in rural area. people are struggling with poor transport facility. 80% of

people strongly accepted that the lack of transportation is a major cause to lose the demand of products and if any seller goes market in urban area he should come back in the same day before dark the climate. Selling products in villages not that much profitable in low demand conditions. Lack of strategic fund management plans also one of the reasons for failing the loan repayment of borrowers. These all independent variable charectars have been damaging borrowers' confidence and disturbing the colorful dreams of their future.

Table-3 status of Loan repayment defaulters

Borrowers	Number of respondents	Percentage %
Loan cleared	8	16
Complete defaulters	10	20
Late payments	18	36
Payment after intervention	14	28
Total	50	100

Table-3 describes the status of loan repayment defaulters as well as capable borrowers of loan repayment. In earlier analysis, researcher explained and concentrated only loan repayment defaulters which are representing 20% in total respondents but that's not clear indication to that the remaining are perfect and 100% loan payers. Only 20% respondents are completely defaulters, in the remaining 40 (80%) respondents' researcher found late payment, payment after intervention borrowers. 18 (36%) respondents are paying late installments and 14 (28%) respondents are paying loan amount after taking so many motivation, training classes. After collecting this data researcher clearly mentions that day by day loan repayment defaulter's percentage is increasing. Micro finance institutions are trying to control this problem by taking many actions even though some borrowers are smartly escaping from, loan repayment responsibility in proper time. If the researcher includes these late payment borrowers to the loan defaulters, the overall % of loan defaulters will increase more. Only 8 (16%) of respondents were cleared the loan without any action from lenders. Remaining 84% were not performed well some respondents are late payers, some had took the training and the remaining became complete defaulters.

4. Conclusion:

Ethiopia's micro finance sector showing significant growth but another side loan repayment defaulters are also increasing in the same proportion. Ethiopia is striving to overcome underdeveloped circumstances. Micro finance institutions putting maximum efforts and giving hand for huge financial support to the rural as well as urban people. Borrowers should get more awareness to utilize the money in proper way. They should understand their economical environment, facilities and actual requirements of the people. Without knowing this basic knowledge, effective usages of borrowings clear the loans are not possible. When they failed to use the money in proper way, repay the loan also becomes heavy burden. As per this paper, researcher discussed so many inefficiencies of Independent variable characteristics. Borrower's age, marital status, education qualification, lenders behavior, insufficient loan, product demand etc caused to push them to the darkness and finally they are becoming complete loan defaulters with helpless conditions. It's a social responsibility to provide confidence to the borrowers especially those who are becoming loan defaulters. Micro finance Institutions, Governments, Other banks, Business people, neighbors, Educational institutions, and every citizen in Ethiopia should carry the responsibility on their shoulders to overcome the loan default problem. Government and other institutions should provide effective trainings, motivation classes, continuous observation, world class experiences for better utilization of funds and good marketing environment Etc. it's not only Omo micro finance institution problem in Konso Woreda, all over the world facing the same problem and eagerly waiting for the better remedies.

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