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**Research Article**

# Factors Affecting Loan Repayment Performance of Borrowers from Cooperative Bank of Oromia: The case of Hawassa District, Ethiopia

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**Abstract**

*This investigation explores the elements impacting loan repayment success at the Cooperative Bank of Oromia. The research utilized both primary and secondary data. To obtain information, the study chose 219 borrowers using a systematic random sampling method. Both qualitative and quantitative research methods were applied. Questionnaire data was analysed using Stata software version 15. Descriptive statistics, such as frequency and percentages, were employed. Inferential statistics, including Chi-square and binary logistic regression, were also used to determine which factors most significantly impact loan repayment. Interview data was analysed using narrative analysis to support and confirm the findings. The findings reveal that 45% of borrowers in the study region did not repay their loans as agreed. The key factors shaping repayment were the borrower's gender, educational background, family size, experience with borrowing, loan duration, repayment schedule, and the frequency of advisory visits. The study recommends that the Cooperative Bank of Oromia should initiate training programs for illiterate borrowers, both in the short and long term, and motivate educated individuals, as they are more likely to profit from such training.*

**Keywords:** *Cooperative Bank of Oromia, borrowers, loan, micro finance, repayment performance*

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## 1. Introduction

Bank profitability and stability depend on loan repayment performance (NPL). According to the World Bank (2022), global debt reached $191 trillion in 2019, with developing countries accounting for over $8 trillion of this debt. However, non-performing loans (NPLs) in developing nations are on the rise, posing concerns for the banking industry. Factors contributing to the increase in NPLs in developing countries include inadequate credit risk management systems, legislative frameworks, and economic conditions. Financial illiteracy among borrowers and lack of collateral may further exacerbate NPL percentages. Addressing loan repayment performance is crucial for the global banking sector. To mitigate credit risk, banks must implement robust credit risk management systems, including assessing a borrower's creditworthiness before loan approval, structuring fair loan terms, and closely monitoring repayments.

The African Development Bank (ADB, 2020) estimates that only 34% of adults in sub-Saharan Africa have bank accounts, with many relying on informal financial services. Financial exclusion in Africa is attributed to poor financial infrastructure, low financial literacy, and high costs of financial services. High NPL levels make loan repayment performance a critical issue for African banks. Non-performing loans, which are loans that are late or defaulted, averaged 9.6% for African banks in 2020, compared to the global average of 4.6%. High NPL levels diminish bank profitability, making it challenging for banks to extend credit to individuals and businesses. Factors contributing to high NPL percentages in Africa include weak credit risk management, regulatory frameworks, and political instability. Many African borrowers struggle to repay their loans due to limited collateral, restricted access to formal credit, and economic shocks.

In Ethiopia, only 35% of adults have bank accounts, limiting their access to credit and other financial services, according to the World Bank (2017). Poor financial infrastructure, low financial literacy, and high financial service costs contribute to financial exclusion in Ethiopia. Ethiopian banks face challenges with loan repayment, as evidenced by the high NPL ratios. Ethiopian banks recorded NPLs of 15.2% in 2019, compared to the global average of 5.3% (World Bank, 2017). Weak credit risk management, regulatory frameworks, and political instability contribute to the high NPL ratio in Ethiopia. Collateral shortages are a major issue for Ethiopian borrowers, as many lack the collateral required to secure credit from formal banking institutions. Additionally, many Ethiopian borrowers resort to informal financial services, which are unregulated and opaque, leading to significant debt and financial vulnerability.

Hawassa District, as a burgeoning economic centre, provides an ideal setting for studying loan repayment. The district has attracted businesses, investors, and increased demand for bank credit. One prominent business in the area is the Cooperative Bank of Oromia (CBO), one of Ethiopia's largest banks specializing in cooperative banking. In Hawassa, the bank offers agricultural, corporate, and personal loans (CBO, 2022). This study aims to investigate how CBO borrowers in Hawassa District repay their loans.

The CBO offers lending and savings services to underserved populations, aiming to alleviate poverty. However, the institution faces challenges with defaulters, which hinder its poverty reduction efforts and sustainability by tying up large amounts of loans. Potential borrowers in Hawassa District include those engaged in agriculture, domestic services, manufacturing, hospitality, and tourism. As directed by the National Bank of Ethiopia, the bank has disbursed 2.1 billion to these customers (CBO, 2022).

Effective intervention strategies require timely and accurate data on borrower repayment performance and the factors influencing it in the research region. While loan repayment performance has been studied previously, academic findings on the influencing factors have been varied and location-specific. Factors such as gender, education, lending methods, loan size, and repayment period have yielded conflicting results in different studies. This study fills this gap in the literature while contributing to the understanding of factors affecting loan repayment performance among Cooperative Bank of Oromia borrowers in Hawassa District.

**Literature Review**

Previous studies have explored the factors influencing loan repayment performance, particularly in financial institutions. Zena (2009) found that female borrowers exhibit better repayment performance compared to males. Female borrowers are often perceived as more responsible and reliable, less likely to misuse loans, and more inclined to prioritize their household's well-being. This suggests that gender-specific initiatives could empower female borrowers further, potentially leading to improved repayment rates.

Educational level and knowing how to manage money are important things that affect how well people repay loans. William (2007) said that people who have more education tend to be better at handling their money, understand loan details, and use loans wisely, which helps them pay back loans on time. Also, Dereje (2021) showed that skills like making a budget and managing debt are key in helping borrowers repay their loans more effectively.

Borrowing experience is another crucial factor affecting loan repayment performance. Dereje (2021) found that borrowers with prior borrowing experience are less likely to default, as they possess accumulated skills and knowledge that help them navigate business environments effectively. Additionally, Van (2002) highlighted the importance of borrowers' repayment capacity, which depends on the profitability of credit utilization. Proper assessment of repayment capacity is crucial for lenders to determine borrowers' creditworthiness and likelihood of timely repayment.

The timing of loan disbursement has been identified as a significant factor in loan repayment performance. Ademola and Adegoke (2022) emphasised that timely disbursement, particularly for seasonal loans, prevents fund diversion and ensures loans are used as intended. Furthermore, regular advisory visits

positively impact borrowers' behaviour, reinforcing repayment obligations and providing guidance, leading to improved repayment rates.

The main objective of this study is to assess the factors affecting loan repayment performance among Cooperative Bank of Oromia borrowers in Hawassa District, Ethiopia. The specific objectives of the study are:

1. To assess the loan repayment performance of Cooperative Bank of Oromia borrowers in Hawassa District.
2. To identify the factors that affect the loan repayment performance of Cooperative Bank of Oromia borrowers in Hawassa District.

The research seeks to answer the following questions:

1. What is the loan repayment performance of Cooperative Bank borrowers?
2. What are the factors that affect the loan repayment performance of Cooperative Bank borrowers?

## 2. Materials and Methods

The study used a cross-sectional approach that included both quantitative and qualitative methods. It gathered information from two types of sources. The first type came directly from people who received help from the CBO, and the second type was from the Cooperative Bank of Oromia. The researchers also looked at published papers, articles, and reports, including those that hadn't been published yet.

The number of people included in the study was decided based on the total number of borrowers at the Cooperative Bank of Oromia in Hawassa district. A systematic random sampling method was used to choose 219 borrowers from a total of 483. Information was gathered using questionnaires and interviews with key people. To understand the data better and find out what factors affect loan repayment, statistical methods were used. The information from the interviews was analysed by using a narrative format.

## 3. Results and Discussion

### 3.1 Loan Repayment Performance of Borrowers and its Associated Factors

About 45% of the respondents constitute defaulters, while 55.3% were non-defaulters. The association between each explanatory variable and the loan repayment performance of borrowers were analysed using a *Chi-square* test in order to identify their relationship with the dependent variable.

**Table 1: Relationship between sex and loan repayment performance**

| Sex | Loan Repayment Performance | | | | Total | | $\chi^2_{Cal}$ (p-value) |
|---|---|---|---|---|---|---|---|
| | Defaulter | | Non-defaulter | | | | |
| | *n* | % | *n* | % | *n* | % | |
| Male | 91 | 92.9 | 83 | 68.6 | 174 | 79.5 | 19.5 (0.000) |
| Female | 7 | 7.1 | 38 | 31.4 | 45 | 20.5 | |
| Total | 98 | 100 | 121 | 100 | 219 | 100 | |

**Source**: Survey data

In terms of sex, 79. 5% of the borrowers are male and 20. 5% are female. This means there are fewer female borrowers than male borrowers (see Table 1). This is connected to the fact that land is usually held in the name of male-headed households who take loans and manage their farming activities. Women's involvement in household tasks may take up too much of their time, making it harder for them to take part in other ways to make money, which could be a reason they are less likely to get loans from microfinance institutions. On the other hand, when looking at loan repayment, more male borrowers (92. 9%) failed to repay their loans compared to non-defaulters (68. 6%). Fewer female borrowers (7. 1%) were defaulters compared to non-defaulters (31. 4%). The Chi-square test result ($\chi^2$=19. 5, p<0. 001) shows that there is a statistically significant link between sex and loan repayment performance. This means that male borrowers are more likely to default on their loans than female borrowers.

**Table 2: Relationship between age and loan repayment performance**

| Age | Loan Repayment Performance | | | | Total | | $\chi^2_{Cal}$ (p-value) |
|---|---|---|---|---|---|---|---|
| | Defaulter | | Non-defaulter | | | | |
| | *n* | % | *n* | % | *n* | % | |
| 18-27 | 17 | 17.3 | 31 | 25.6 | 48 | 21.9 | 11.7 (0.009) |
| 28-37 | 39 | 39.8 | 64 | 52.9 | 103 | 47.0 | |
| 38-47 | 38 | 38.8 | 24 | 19.8 | 62 | 28.3 | |
| 48-57 | 4 | 4.1 | 2 | 1.7 | 6 | 2.7 | |
| Total | 98 | 100 | 121 | 100 | 219 | 100 | |

**Source**: Survey data

When looking at how age relates to how well people repay loans, 39. 8% of those who didn't repay their loans and 52. 9% of those who did repay were aged between 28 and 37. Similarly, 38. 8% of loan defaulters and 19. 8% of non-defaulters were aged between 38 and 47. From the cross-tabulated survey data, the Chi-

square value and significance level show that there is a statistically significant link between age and loan repayment performance ($\chi^2$= 11. 7, p < 0. 01).

**Table 3: Relationship between educational level and loan repayment performance**

| Educational level | Loan Repayment Performance | | | | Total | | $\chi^2_{Cal}$ (p-value) |
|---|---|---|---|---|---|---|---|
| | Defaulter | | Non-defaulter | | | | |
| | *n* | % | *n* | % | *n* | % | |
| Didn't attend formal education | 29 | 29.6 | 7 | 5.8 | 36 | 16.4 | 25.8 (0.000) |
| 1-8 | 33 | 33.7 | 46 | 38.0 | 79 | 36.1 | |
| 9-12 | 29 | 29.6 | 44 | 36.4 | 73 | 33.3 | |
| College/university | 7 | 7.1 | 24 | 19.8 | 31 | 14.2 | |
| Total | 98 | 100 | 121 | 100 | 219 | 100 | |

**Source**: Survey data

Table 3 shows that among all the borrowers surveyed, about 29. 6% of those who defaulted and 5. 8% of those who paid back their loans did not go to school. On the other hand, about 35% of defaulters and 38% of non-defaulters only went to primary school. A Chi-square test found that there is a strong connection between the level of education and how borrowers repay their loans ($\chi^2$ = 25. 8, p < 0. 001). This suggests that borrowers with more education are better at using loans properly compared to those with less education. So, it can be said that education plays a big role in how well people repay their loans. These findings are also supported by information from key informants, who mentioned that not having the skills to run a business and not managing it well are the main reasons why some people fail to repay their loans.

**Table 4: Relationship between family size and loan repayment performance**

| Family size | Loan Repayment Performance | | | | Total | | $\chi^2_{Cal}$ (p-value) |
|---|---|---|---|---|---|---|---|
| | Defaulter | | Non-defaulter | | | | |
| | *n* | % | *n* | % | *n* | % | |
| 1-3 | 14 | 14.3 | 52 | 43.0 | 66 | 30.1 | 33.3 (0.000) |
| 4-6 | 34 | 34.7 | 45 | 37.2 | 79 | 36.1 | |
| 7-9 | 29 | 29.6 | 19 | 15.7 | 48 | 21.9 | |
| 10-12 | 21 | 21.4 | 5 | 4.1 | 26 | 11.9 | |
| Total | 98 | 100 | 121 | 100 | 219 | 100 | |

**Source**: Survey data

When looking at family size and how well people pay back their loans, about 43% of those who didn't default and 14% of those who did default had a family size of 13. On the other hand, 21. 4% of those who defaulted and 4. 1% of those who didn't default had a family size between 10 and 12. The Chi-square test shows that family size and loan repayment are linked in a statistically significant way ($\chi^2$ = 33. 3, p < 0. 001). This means people with smaller families are more likely to pay back their loans on time.

**Table 5: Relationship between residence and loan repayment performance**

| Borrowers Residence | Loan Repayment Performance | | | | Total | | $\chi^2_{Cal}$ (p-value) |
|---|---|---|---|---|---|---|---|
| | Defaulter | | Non-defaulter | | | | |
| | *n* | % | *n* | % | *n* | % | |
| Rural | 90 | 91.8 | 90 | 74.4 | 180 | 82.2 | 11.3 (0.001) |
| Urban | 8 | 8.2 | 31 | 25.6 | 39 | 17.8 | |
| Total | 98 | 100 | 121 | 100 | 219 | 100 | |

**Source**: Survey data

In terms of how someone residence relates to their ability to repay loans (see Table 5), a higher percentage of borrowers from rural areas (92%) became defaulters compared to those who did not default (74%). On the other hand, fewer borrowers from less urban areas (8%) became defaulters compared to non-defaulters (25. 6%). The Chi-square test showed that there is a strong statistical link between where someone lives and their loan repayment performance ($\chi^2$ = 11. 3, p < 0. 01). This means that borrowers from rural areas are more likely to default on their loans than those from urban areas. Also, rural areas face challenges like tough access to places, poor infrastructure, and limited local markets. From discussions in focus group meetings, it was noted that rural areas often experience crop failures, droughts, and higher costs for agricultural supplies, which affect their ability to repay loans.

**Table 6: Relationship between method of lending and loan repayment performance**

| Method of lending | Loan Repayment Performance | | | | Total | | $\chi^2_{Cal}$ (p-value) |
|---|---|---|---|---|---|---|---|
| | Defaulter | | Non-defaulter | | | | |
| | *n* | % | *n* | % | *n* | % | |
| Group | 78 | 79.6 | 102 | 84.3 | 180 | 82.2 | 0.8 (0.365) |
| Individual | 20 | 20.4 | 19 | 15.7 | 39 | 17.8 | |
| Total | 98 | 100 | 121 | 100 | 219 | 100 | |

**Source**: Survey data

Table 6 (above) shows how the way a loan is given relates to how well the borrower repays it. Around 84% of people who did not default and 80% of those who did default said they got the loan. However, 20% of

those who defaulted and 16% of those who didn't default said they got the loan on their own. The Chi-square test shows that the way a loan is given and how well it is repaid are not significantly connected ($\chi^2 = 8$, $p>0.05$). From interviews with key people, it was said that in group lending, people can get loans more easily without needing formal collateral or personal guarantees. The group members share responsibility, so if one person fails to repay, the others help cover the debt. They also mentioned that the repayment performance in group lending is influenced by weekly sales and how far apart the group members live.

**Table 7: Relationship between alternative source of income and loan repayment performance**

| Alternative source of income | Loan Repayment Performance | | | | Total | | $\chi^2_{Cal}$ (p-value) |
|---|---|---|---|---|---|---|---|
| | Defaulter | | Non-defaulter | | | | |
| | *n* | % | *n* | % | *n* | % | |
| No | 97 | 99.0 | 112 | 92.6 | 209 | 95.4 | 5.1 (0.024) |
| Yes | 1 | 1.0 | 9 | 7.4 | 10 | 4.6 | |
| Total | 98 | 100 | 121 | 100 | 219 | 100 | |

**Source**: Survey data

In terms of alternative source of income, most borrowers (95%) did not have another source of income, while 5% did. Among those without another income source, 99% were people who didn't pay back their loans, while only 92. 6% of those without another income source did pay back. On the other hand, among borrowers who had another source of income, 7. 4% paid back their loans, while only 1% didn't. The Chi-square test showed that having an alternative income and being able to repay a loan are connected in a meaningful way ($\chi^2 = 5.1$, $p < 0.05$). This means that borrowers with another income source were more likely to default on their loans than those who didn't have another income source.

**Table 8: Relationship between borrowing experience and loan repayment performance**

| Borrowing experience | Loan Repayment Performance | | | | Total | | $\chi^2_{Cal}$ (p-value) |
|---|---|---|---|---|---|---|---|
| | Defaulter | | Non-defaulter | | | | |
| | *n* | % | *n* | % | *n* | % | |
| Once | 92 | 93.9 | 80 | 66.1 | 172 | 78.5 | 24.8 (0.000) |
| Twice | 6 | 6.1 | 41 | 33.9 | 47 | 21.5 | |
| Total | 98 | 100 | 121 | 100 | 219 | 100 | |

**Source**: Survey data

As shown in Table 8, most borrowers (78. 5%) took out loans just once, while 21. 5% took out loans twice. Among those who borrowed only once, 93. 9% became defaulters, while 66. 1% of those who didn't default

had only one loan. From the borrowers who took loans twice, 33. 9% did not default, while 6. 1% did. The Chi-square test result ($\chi^2$ = 24. 8, p<0. 01) showed a strong connection between how many times someone borrows and whether they repay their loans on time. The interviews with key informants showed that experienced borrowers understand their rights and responsibilities better. They can act as good examples for others who are new to taking loans. They also follow the rules set by the microfinance institution. This means that borrowers with less experience are more likely to default on their loans than those with more experience.

**Table 9: Relationship between timelines of loan and loan repayment performance**

| Timelines of loan | Loan Repayment Performance | | | | Total | | $\chi^2_{Cal}$ (p-value) |
|---|---|---|---|---|---|---|---|
| | Defaulter | | Non-defaulter | | | | |
| | *n* | % | *n* | % | *n* | % | |
| Delay | 77 | 78.6 | 71 | 58.7 | 148 | 67.6 | 9.8 (0.002) |
| Timely release | 21 | 21.4 | 50 | 41.3 | 71 | 32.4 | |
| Total | 98 | 100 | 121 | 100 | 219 | 100 | |

**Source**: Survey data

Respondents were also asked about how long it took to get their loans and found out that most of them — 78. 6% of those who defaulted and 58. 7% of those who didn't — said the loan process was delayed. On the other hand, 41. 3% of non-defaulters and 21. 4% of defaulters said the loans were given on time. A statistical test called the Chi-square analysis showed that there is a significant connection between how long it took to get the loan and how well the borrower repaid it.

This suggests that the timing of when a loan is given has a big effect on how well someone repays it. From interviews with key people, it was clear that getting the loan on time is very important, especially when the money is used for seasonal work. They explained that complicated steps in checking and approving loans can cause delays. This can mess up plans to buy supplies for seasonal work. They also said that this kind of delay can make repayment harder because the loan might be used for other things instead.

**Table 10: Relationship between loan size and loan repayment performance**

| Loan size in birr | Loan Repayment Performance | | | | Total | | $\chi^2_{Cal}$ (p-value) |
|---|---|---|---|---|---|---|---|
| | Defaulter | | Non-defaulter | | | | |
| | *n* | % | *n* | % | *n* | % | |
| <5000 | 36 | 36.7 | 46 | 38.0 | 82 | 37.4 | 4.2 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 5000-30000 | 57 | 58.2 | 60 | 49.6 | 117 | 53.4 | (0.244) |
| 30001-55000 | 4 | 4.1 | 10 | 8.3 | 14 | 6.4 | |
| >55000 | 1 | 1.0 | 5 | 4.1 | 6 | 2.7 | |
| Total | 98 | 100 | 121 | 100 | 219 | 100 | |

**Source**: Survey data

When looking at how the size of a loan relates to how people repay it, 58. 2% of those who defaulted and 49. 6% of those who didn't default had loans between 5000 and 30000 birr. Also, 1% of defaulters and 4. 1% of non-defaulters took loans larger than 55000 birr. From the cross-tabulated survey analysis, the Chi-square value and significance level ($\chi^2 = 4.2$, $p > 0.05$) show that there is no strong link between loan size and repayment performance. This means the amount of money borrowed did not greatly affect how well people repaid their loans as per the scheduled payments.

**Table 11: Relationship between repayment period and loan repayment performance**

| Repayment period | Loan Repayment Performance | | | | Total | | $\chi^2_{Cal}$ (p-value) |
|---|---|---|---|---|---|---|---|
| | Defaulter | | Non-defaulter | | | | |
| | *n* | % | *n* | % | *n* | % | |
| Not appropriate | 73 | 74.5 | 52 | 43.0 | 125 | 57.1 | 21.9 (0.000) |
| Appropriate | 25 | 25.5 | 69 | 57.0 | 94 | 42.9 | |
| Total | 98 | 100 | 121 | 100 | 219 | 100 | |

**Source**: Survey data, 2023

As shown in Table 11, most (74. 5%) of the people who defaulted on loans and 43% of those who did not default said the repayment period was not suitable. On the other hand, 57% of the non-defaulters and 25. 5% of the defaulters felt the repayment period was appropriate. Additionally, the cross-tabulation analysis showed a Chi-square value of 21. 9 and a significance level of $p < 0.001$, which means there is a strong statistical link between the repayment period and how well people repay their loans. Key informants also noted that if borrowers think the repayment period is suitable; they are more likely to use the loan money effectively for their intended purposes than those who think the period is not suitable.

**Table 12: Relationship between supervisory/advisory visit and loan repayment performance**

| Advisory visit | Loan Repayment Performance | | | | Total | | $\chi^2_{Cal}$ (pvalue) |
|---|---|---|---|---|---|---|---|
| | Defaulter | | Non-defaulter | | | | |
| | *n* | % | *n* | % | *n* | % | |
| No | 50 | 51.0 | 35 | 28.9 | 85 | 38.8 | 11.1 (0.001) |
| Yes | 48 | 49.0 | 86 | 71.1 | 134 | 61.2 | |
| Total | 98 | 100 | 121 | 100 | 219 | 100 | |

**Source**: Survey data

In Table 12, it is revealed that about 71.1% of the non-defaulters and 49% of the defaulters reported being visited by advisors. Conversely, 51% of defaulters and 28.9% of non-defaulters stated they didn't receive advisor visits. Analysing the data, the Chi-square value ($\chi^2 = 11.1$, $p < 0.01$) indicate a strong, statistical association between advisor visits and loan repayment success. Key sources pointed out that the aim of these visits is to assist borrowers in enhancing their business operations and using the loan effectively, resulting in increased income and easier loan repayment. Regular follow-up and supervision to monitor loan usage and repayment can encourage borrowers to fulfil their responsibilities correctly and improve their repayment performance.

### 3.2. Factors that affect the Loan Repayment Performance of Borrowers

To understand how important each factor is, or how much each one affects loan repayment, while considering all other factors, a multivariate analysis in the form of binary logistic regression was used. To check if any of the factors were too similar to each other (multicollinearity), a contingency coefficient was used, and it was found that there was no multicollinearity among the variables. In this study, the dependent variable is loan repayment performance.

**Table 13: Binary Logistic Regression Model Summary**

| ***Number of obs*** | ***LR Ch2(12)*** | ***Pro>chi2*** | ***Pseudo R S2*** |
|---|---|---|---|
| 219 | 97.47 | 0.0000 | 0. 3236 |

***Source:*** Model output

The Chi-square outcome (97. 47, df=12, p<0. 01) from the model shows that the overall model is significant when factors like sex, age, education level, family size, residence, lending method, income source,

borrowing history, loan duration, loan amount, repayment term, and advisory visits are taken into account. The "pseudo" R2 value indicates that approximately 32.4% of the variation in the borrowing default status from the Cooperative Bank of Oromia can be attributed to these ten independent factors.

**Table 14: The Binary Logistic Regression Output**

| Variables | Coef. | Std. Err. | z | P>z | Odds R. |
|---|---|---|---|---|---|
| Sex | 1.236 | 0.544 | 2.270 | 0.023 | 3.443 |
| Age | 0.263 | 0.291 | 0.900 | 0.366 | 1.301 |
| Educational level | 0.459 | 0.213 | 2.150 | 0.031 | 1.582 |
| Family size | -0.635 | 0.213 | -2.980 | 0.003 | .530 |
| Residence | 0.409 | 0.607 | 0.670 | 0.501 | 1.505 |
| Method of lending | 0.350 | 0.535 | 0.650 | 0.514 | 1.419 |
| Income source | 2.256 | 1.351 | 1.670 | 0.095 | 9.546 |
| Borrowing experience | 1.448 | 0.600 | 2.410 | 0.016 | 4.255 |
| Timelines of loan | 1.191 | 0.393 | 3.030 | 0.002 | 3.289 |
| Loan size | -0.569 | 0.305 | -1.860 | 0.062 | .566 |
| Repayment period | 1.266 | 0.401 | 3.150 | 0.002 | 3.546 |
| Advisory visit | 0.923 | 0.391 | 2.360 | 0.018 | 2.517 |
| Constant | -4.416 | 1.544 | -2.860 | 0.004 | 0.012 |

**Note**: B=Beta Coefficient, S.E=Standard Error
***Source:*** Model output

According to the results from the binary logistic regression, out of the twelve variables included in the model, seven had a significant effect on how well borrowers repay their loans. The other variables—like age, residence, method of lending, income source, and loan size—did not show a significant effect, so they are not discussed further. The following paragraphs focus only on the significant variables.

The regression results show that sex has a significant impact on loan repayment performance. The coefficient (B = 1.236) and p-value (p < 0. 05) in Table 14 indicate that female borrowers are more likely to repay their loans compared to male borrowers. This effect is consistent regardless of other factors. In the study area, women tend to repay loans better than men. Solomon and Addisu (2013) found that women performed better because they were more entrepreneurial due to their domestic responsibilities. Nam and Duy (2016) noted that women are better borrowers because they are less likely to spend loan money on non-productive things like cigarettes or alcohol, are less mobile (which reduces the risk of them disappearing with the money), and are more likely to use the money for household needs.

The level of education also has a significant positive effect on loan repayment (B = 0.459, p < 0. 05). This means borrowers with higher education are less likely to default. Each increase in education level raises the odds of a borrower repaying their loan by 1. 582. Higher-educated borrowers may be more capable of managing and repaying loans quickly. They may also be more involved in group lending schemes, which improves monitoring and enforcement. Duy and Nam (2016) agree with this finding. Pasha and Negese (2014) found that education positively influences loan repayment, with each year of schooling increasing the repayment rate by 4. 939. This means borrowers with higher education levels are four times more likely to repay their loans than those without any education.

Family size has a negative effect on loan repayment performance (B = 0.635, p < 0. 01). Larger families are less likely to repay loans on time. For each additional family member, the chance of repaying the loan decreases by 0.530. Larger families are more likely to default. Ojiako and Ogbukwa (2012) found similar results in their study on Nigerian small business owners and farmers, where larger families were more likely to default on loans.

Borrowing experience also positively affects loan repayment success in the study area. The coefficient (B = 1. 448, p < 0. 05) shows that borrowing experience is significantly linked to the ability to repay loans. Each increase in borrowing experience raises the chance of repayment by 4. 255. Magali (2013) noted that years of borrowing experience reduce the likelihood of default because experienced borrowers are better at managing their businesses. Sileshi (2014) also observed that borrowers with more formal credit experience are more likely to repay their loans.

The model indicates that loan timelines positively and significantly affect repayment performance. The regression coefficient (B = 1. 191, p < 0. 01) shows that as loan timeline increases, the probability of repayment also increases by 3. 289, regardless of other factors. Fitsum (2014) stated that borrowers who receive their loans within a month are more likely to repay them because the money is more likely to be used for its intended purpose if given on time. Seasonal loans, especially agricultural ones, have a greater impact on repayment.

The repayment period also has a significant effect on loan repayment, with a coefficient of B = 1. 266 and p < 0. 01. This shows that as long as the repayment period is reasonable, the odds of repayment increase by 3. 546. This means borrowers with acceptable repayment periods are more likely to repay their loans. Pasha and Negese (2014) found that when repayment periods fit the borrower's needs, default rates decrease because borrowers feel more comfortable repaying the loan.

Advisory visits also improve loan repayment performance (B = 0.923, p < 0. 05). Each additional advisory visit increases the likelihood of non-default by 2. 517, assuming other factors are constant. This suggests that borrowers who receive follow-up are less likely to default. Pasha and Negese (2014) found

that regular follow-up and visits reduced the probability of default by 0. 102 when other variables are the same.

## 4. Conclusion and Recommendations

The study found several important factors that affect how well borrowers from the Cooperative Bank of Oromia in Hawassa District repay their loans. Women borrowers, those with more education, smaller families, more experience in borrowing, timely loan approvals, suitable repayment timelines, and those who receive regular advice, tend to repay their loans better. To help improve repayment rates, the bank should support women through special programs that focus on their needs, offer training on financial matters, encourage more experience in borrowing, make sure loans are given on time, keep up with regular check-ins, and put these ideas into action to help the bank grow and stay stable.

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