



EFFECT OF FINANCIAL LITERACY ON LOAN REPAYMENT PERFORMANCE OF MEMBERS IN THE CASE OF DURO SHALLA SACCOs UNION WEST ARSI ZONE, REGIONAL STATE, ETHIOPIA

MSc. THESIS

BY

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MAY , 2024

HAWASSA, ETHIOPIA

**EFFECT OF FINANCIAL LITERACY ON LOAN REPAYMENT
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SACCOs UNION WEST ARSI ZONE REGIONAL STATE, ETHIOPIA.**

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**THESIS SUMMITTED TO HAWASSA UNIVERSITY SCHOOL OF GRADU
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ENTS FOR THE MASTERS OF SCIENCE (MSC) DEGREE IN ACCOUNTI
NG AND FINANCE**

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MAY , 2024

HAWASSA, ETHIOPIA

DECLARATION

I hereby declare that the thesis entitled “Effect of Financial Literacy on loan repayment Members of Duroshalla Saving And Credit Cooperatives Union, Oromia Regional State, Ethiopia is submitted to the Department of Accounting and Finance College of Business and Economics, Hawasa in partial fulfillment of the requirement for the award of masters of science (MSC) in accounting and finance is based on my original research work carried out by my self under supervision and guidance of principle advisor Asegid Getachew (PhD).this work is not submitted earlier in full or part.

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This is to certify that the thesis entitled "**The Effect of Financial Literacy on Loan Repayment Members Of Duroshalla Saving And Credit Cooperatives Union, Oromia Regional State, Ethiopia**" submitted in partial fulfillment for the **Degree of Master's with specialization in Accounting And Finance**, the Graduate Program of **the Department of Accounting and Finance**, has been carried out by **Dugasa Mekonnen Muleta ID NoR0005/15**. Therefore, we recommend that the student has fulfilled the requirements and hence can hereby submit the thesis to the department for defense

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We, the undersigned, members of the Board of Examiners of the final open defence by Dugasa Mekonnen Muleta ID No R0005/15. have read and evaluate his thesis entitled “ financial literacy on loan repayment performance of members of in case of Duroshalla SACCOs Union West Arsi Zone, Oromia regional state, Ethiopia)”, and examined the candidate. This is, therefore, to certify that the thesis has been accepted in partial fulfilment of the requirements for the Degree of Master’s with specialization in Accounting And Finance,.

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Final approval and acceptance of the thesis is contingent up on the submission of the final copy of the thesis to the School of Graduate Studies (SGS) through the Department/School Graduate Committee (DGC/SGC) of the candidate’s department.

ACKNOWLEDGEMENT

First of all, I would like to thank the almighty God who gave me the opportunity to pursue this MSC study at Hawassa University where I gained much and help me in all aspects of my life including the achievement of this thesis. Next I would like to thank my advisor, Asegid Getachew (PhD), for their professional work, encouragement, and honest opinion throughout this work journey for his unlimited dedication of guidance suggestions, supportive comments, while I was doing this research thesis. And also thanks go to the all my class teachers I also thanks Duroshalla Saving and Credit Cooperatives Union who supported me by delivering information for my thesis.

Finally, I would like thank my family especially my wife Mitike Keno for strength and patience in managing our home and encouraged me.

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ACRONYMS AND ABBREVIATIONS

ICA	International Cooperative Alliance
LR	Loan repayment
MFL	Members Financial Literacy
MFI	Micro finance institution
NGOs	Non-Governmental Organization
OECD	Organization for Economic Co-operation and Development
SACCO	Saving and Credit Cooperatives
DSSACCOsU	Duroshalla Saving and Credit Cooperatives Union
FGD	Focus group discussions (FGD)
WOCCU	World Council of Credit Unions
SME	Small micro enterprise
LRP -.....	Loan repayment prformance
SPSS	Statistical Package for Social science
VIF	Variable inflection factor

ABSTRACT

Financial literacy is the possession of knowledge, skills, and attitudes that enable an individual to use money effectively by making sound informed financial decisions. The main purpose of this study was to assess the effect of financial literacy on the loan repayment performance of members in the Duroshalla Saving and Credit Cooperatives Union in the Oromia regional state of Ethiopia. The researcher investigated the effect of variables of such as demographic characteristics, socio economic related and financial literacy variables such as budget literacy, debt management literacy, and saving literacy debt management literacy, budgeting literacy, bookkeeping literacy, and saving literacy. The study employed both explanatory and descriptive survey research design with mixed approach also purposive sampling and simple random sampling technique used. The collected data was analyzed using descriptive statistics and binary logistic regression additionally used (SPSS) version 26. The result of this study has shown that age, education level, occupation, marital status, budgeting literacy, debt management literacy, and saving literacy variables have positive and significant effect on the loan repayment performance of the members of Duroshalla SACCOs Union in West Arsi Zone, Oromia, Ethiopia. On the other hand, family size and gender have a negative effect on loan repayment performance of the members. But bookkeeping literacy is not significant. Specifically, older, more educated, married members, in certain occupations, with higher monthly incomes are more likely to repay loans on time. Furthermore, members with better budgeting, debt management, and saving literacy skills demonstrate higher odds of timely loan repayment. The study underscores the importance of enhancing financial literacy programs within SACCOs to improve loan repayment rates and ensure the sustainability of these cooperatives. The recommendations for Duroshalla should provide financial training, offer incentives for older members, promote education and skill development, consider marital status in loan assessment, encourage income-generating activities, assist members with larger families in financial management, promote budgeting and debt management literacy programs, and encourage saving habits among members.

Keywords: Financial Literacy, Loan Repayment performance, DSSACCOs Union

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The development of the financial industry is one of the important determinant in the growth of the economy of the country that is constantly involved dynamically development led to a wide variety of products and services, featuring ease of access to services. Many experts argued that it needs comprehensive understanding. So that people can be successful and competitive in managing their finances by understanding in context is defined as financial literacy (Ghasarma, 2017). Financial literacy is the possession of knowledge, skills, and attitudes that enable an individual to use money effectively by making sound informed financial decisions. Financial literacy is the ability to ask informed judgments on financial matters without fear. (Case et al., 2022)

According to Hayilekeross Niguse Adhana (2020), financial education, financial capability, and financial literacy are often used interchangeably in academic literature, leading to a lack of clear definitions. Similarly, most recent studies have focused on financial literacy in terms of three aspects: financial knowledge, financial behavior, and financial attitude. Financial literacy remains interesting in both developed and developing countries and has stimulated much interest in the recent years, especially with the fast change in the finance landscape. This is important for financial institutions that promote saving habits and provide loans to their members (Metto, 2020).

The goal of financial literacy is to empower individuals by providing them with the necessary knowledge about finance that is relevant to their every day lives. This knowledge allows them to effectively evaluate financial products and make informed choices. Additionally, financial literacy plays a vital role in facilitating important decision-making processes, such as timely loan payments and efficient debt management. These practices ultimately improve the creditworthiness of potential borrowers, leading to improved economic growth, stable financial systems, and reduced poverty (Wachira et al., 2012).

Financial action refers to the capacity to apply and knowledge and make effective choices regarding money management, bookkeeping, budgeting, and negotiation without any worry. These elements, empower individuals to make wise investments. A financially literate individual

possesses the necessary financial knowledge, skills, and confidence to make crucial financial decisions that greatly impact their lives (Muturi, 2017). Additionally, Financial literacy means a combination of awareness, knowledge, skills, attitudes, and behaviors essential for making sound financial decisions and ultimately achieving personal financial well-being (Christa, 2023). Financially literate individuals are capable of planning and budgeting, maintaining a record of their financial activities through bookkeeping, managing debts to avoid loan defaults, and confidently engaging in financial negotiations to secure favorable terms from financial providers(Case et al., 2022)

Lack of financial literacy can act as a barrier to saving: if people do not manage their money well they may not have enough left to save. After day-to-day expenses, or may accumulate debt they cannot repay. Lack of financial skills also means people do not plan, or understand how financial products can help meet savings goals (Gaudence et al., 2018). However, the Duroshalla Saccos Union lacked basic knowledge about loan repayment procedures This study's purpose is to study the effect of financial literacy on loan repayment performance in the Duroshalla Saving and Credit Cooperatives Societies Union (SACCOsU) especially SACCOs in west Arsi zone.

Financial literacy can build the knowledge, skills, and self-efficacy of customers at Durushalla SACCOs union so that they are better prepared to (1) Set and attain financial goals, (2) Plan and make informed decisions about future spending and saving, especially during periods of low or irregular income, (3) Develop strategies to mitigate and manage risks, (4) Responsibly and effectively manage debt, potentially increasing the probability of loan repayment. Financial literacy equips individuals with the necessary knowledge to create budgets, establish savings plans, and make strategic investment decisions. Therefore, raising one's level of financial literacy can greatly raise the chance of loan repayment performance of members.

1.2. Statement of the Problem

Saving and credit cooperatives are an important input for continuous development, filling the gap in the financial service sector by providing funds. However, many saving and credit cooperatives are not sustainable and are too dependent on subsidies. Consequently, saving and credit cooperatives offer service loans to members who cannot provide collateral to obtain loans from banks. Despite this, saving and credit cooperatives are currently facing issues with loan repayment by

members. These problems are impacting both the sustainability of saving and credit cooperatives and the ability of members to access loan services.

According to the (World Bank, 2023) report on SACCOs in Ethiopia are face several challenges low financial literacy among members are some of the key issues highlighted in the report. So, financial literacy condition on loan repayment performances of SACCOs in our country is poor.

According to (Tesfamariam, 2015), SACCOs face a major challenge due to a lack of financial education among members. Insufficient money knowledge can make it hard to save, manage expenses, and avoid debt. This limited knowledge restricts attempts to improve the financial situation and can lead to SACCO's collapse. Poor loan repayments can have negative effects on capital and earnings, making it difficult for them to achieve objectives and potentially leading to their collapse. Financial literacy allows SACCOs to ensuring successful loan repayment, make make informed and effective decisions with all monetary matters in order to crate health business. However, the effect of financial literacy on loan repayment performance was not adequately studied.

Several research studies have been conducted to examine the relationship between financial literacy and loan repayment performance in other countries. (Giné et al., 2012), and (Cohen & Young, 2007), (Lusardi & Tufano, 2015) Cole and Shastry (2009) (Gaudence et al., 2018). (Wanjiku & Muturi, 2017), (Barua & Sane, 2014) Smith et al (2015). Johnson (2017) (Sabri & Zakaria, 2015)

In Ethiopia, few study was conducted on the title effect of financial literacy on loan repayment performance of members of the SACCOs union. For instance, (Case et al., 2022) conducted the research entitled “Analysis of the effect of financial literacy on loan repayment performance in case of waltane Ambo SACCOs Union” And focused on budget literacy, finance literacy, and debt management literacy. Findings revealed a high positive correlation between member attitude, budgeting and debt management literacy, and loan repayment. Similarly (GADISO, 2023) Conducted a study on research entitled "An Analysis of Financial Literacy and Its Effects on Loan Repayment Performance of Members of Saving and Credit Cooperatives in Shebedino Woreda, Sidama Regional State" and focused on finance literacy, debt management literacy, bookkeeping literacy variables, as well as the factors influencing their financial literacy

According to the audit report (2023) of Duroshalla SACCOS union showed that there is an experience of considerable problems regarding 6.9mil uncollectable loan.. Therefore, the failure of members to repay their loans on time consists withdrawal number of active members and affects the sustainability of the SACCOS. According to the study conducted on the effect of financial literacy on the loan repayment performance of members, no authors analyzed to identify their loan repayment problem or not at Duroshalla SACCOS union.

To researcher knowledge, most of the researchers not considered other variables that effect of financial literacy on loan repayment of members in SACCOS, specifically focusing on SACCOS- Demographic characteristics such as gender, age, education, family size, and socio-economic such as occupation, and income, and saving literacy during their investigations. Additionally, As far as the researcher knowledge is concerned there are no similar studies conducted on factors effecting financial literacy on saving and credit cooperative (SACCOS) on loan repayment performance in the study area. This indicates that there is a research gap in this particular area, specifically on this topic .The causes of defaulter by of members are different from region to region, zone to zone and from one SACCOS to the other because of this reasons researcher including additional variables and conducted study on the effect of financial literacy on loan repayment performance of members Duroshalla SACCOS union.

1.3 Objectives of the Study

1.3.1 General Objective

The main objective of the study was to assess the effect of financial literacy on the loan repayment performance of members in the case of Duroshalla Sacco's union.

1.3.2 Specific Objective

- 1) To analyze the effect of demographic characteristics occupation monthly income, and loan repayment performance
- 2) To identify the effect of socioeconomic such, occupation, monthly income, on loan repayment performance
- 3) To examine the effect of budget literacy levels on loan repayment performance.
- 4) To investigate the effect of bookkeeping literacy skills on loan repayment performance
- 5) To evaluate the effect of debt management literacy on loan repayment performance.
- 6) To assess the effect of saving literacy on loan repayment performance.

1.4 Research Hypothesis

The researcher developed the following alternative hypothesis which the study selected

H1: Gender has a statically and significantly positive effect on loan repayment performance.

Ha2 Age of the members has a statistically and significantly positive effect on loan repayment performance.

Ha3: Educational level has a positive and significant effect on loan repayment performance.

HA4:Occupation has a statistically and significantly positive effect on loan repayment performance.

Ha5: Married status has a statistically significant positive effect on loan repayment performance.

H6:Monthly income has a statistically and significant positive effect on loan repayment performance.

Ha7.Family sizes have statistically and significantly negative effects on loan performance

Ha8: Budget literacy has astatistically and significantly positive effect on loan repayment performance.

Ha9:Bookkeeping literacy has a statistically significant positive effect on loan repayment performance.

Ha10: Debt management literacy has a statistically and significantly positive effect on loan repayment performance.

Ha11.Saving literacy has a statically and significant positive effect on loan repayment performance

1.5. Significant of the study

The findings of the study may have direct contributions to SACCOs and may be helpful for further research. For academicians and researchers, who can use board for other research studies. It provides guidelines for policymakers, SACCOs, and stakeholders regarding financial literacy and its effect on loan repayment performance. It also helps institutions in preparing training for their employees and members, enhancing the integrity and reliability of financial reports.

1.6. Scope of the study

Geographically Scope,the study was conducted in Duroshalla SACCOs Union. Accordingly this study covered 5 SACCOs from the Duroshalla SACCOs Union because it is impossible to cover all SACCOs due to time and financial constraints. Purposive sample was used because the resacher used collect the data from borrowers 180 members only.Conceptual scope:-there are

many factors effect of financial literacy on loan repayment performance of members in Duroshalla SACCOs only in the study. The researcher used to address only five namely socio economic and demographic characteristics, budgeting literacy, bookkeeping literacy, debt management literacy and saving literacy. Methodological scope; both explanatory and descriptive (cross-sectional) survey design was employed.

1.7 Limitation of study

Though studying at complete level of the defaulter's members would have better result, due to finance constraints, the researcher is limited to undertake the study in only five branches of SACCOs. To reduce the limitation the process of distributing and collecting questionnaire did with the help of additional human resource. The sample size is limited but taking more may give deep understanding on the effect of loan repayment on the performance of members of SACCOs institutions. Those primary SACCOs members were found around west arsi area and in this area there was no other researchers done on effect of financial literacy on loan repayment performance of members. This study may not be guaranteed to cover beyond the study area because of the lack of finance

1.8. Organization of the study

This paper is structured in five main chapters. the first chapter includes the background of the study, a statement of the problem, objectives of the study, hypothesis testing, significance of the study, the scope of the study, and limitations of the study the second chapter presents a review of the related literature. the third chapter deals with the research method, population of the study, and instrument of data collection and analysis. the fourth chapter deals with the result and discussion of the paper. the fifth chapter forwarded a summary, conclusion, and recommendation of the research.

1.9. Definitions and key Words

Financial: Pertaining to money, revenue, investments, or finances. Keywords: money, investments, revenue.

Literacy: -The ability to read, write, and understand information. Financial literacy refers to the knowledge and skills required to make informed financial decisions. Keywords: knowledge, skills, informed decisions.

Loan:- A sum of money that is borrowed and expected to be paid back with interest. Keywords: borrow, interest, repayment.

Repayment:-The act of paying back money that was borrowed or owed, often with interest. Keywords: payback, owed, interest.

Performance:-The manner in which a task or activity is carried out or completed. In a financial context, it can refer to how well an investment, business, or individual is doing in terms of achieving financial goals. Keywords: achievement, success, financial goals.

CHAPTER TWO

LITERATURE REVIEW

INTRODUCTION

This section discusses the existing literature on the study topic, including the views of past scholars, and the relationship between independent variables and the dependent variable. It also includes a critical review of the literature obtained. A conceptual framework is presented to illustrate the interrelationship with the dependent variable. This chapter provides reviews, a critical analysis of the study, and a summary of studies related to the problem being investigated.

2.1 Theoretical review

2.1.1 Concept of financial literacy

The concept of financial literacy can be understood in different ways depending on a person's situation. It can include learning how to create and manage a budget, knowing how to invest for retirement, or seeking guidance on making informed decisions about buying a home or starting a business. Similar to being able to read and write, financial education has a significant impact on individuals' well-being and plays a crucial role in the economic and social health of communities, ultimately benefiting a nation's economy as a whole (Ghasarma, 2017). Financial literacy is a complex concept that knowledge of financial concepts, the ability to manage personal finance, skill in making financial decisions, and confidence in future financial planning. It measures understanding and ability to manage personal finances through short-term decision-making and long-range planning, considering life events and economics (Remund, 2010). There are two main parts to financial literacy: (i) acquiring knowledge and skills about finances, and (ii) making changes in how you handle money. To be financially literate means having the ability to make well-informed decisions about financial matters, including understanding the potential outcomes of different loan options, credit cards, and investment opportunities.. It also involves knowing how to read financial reports, balance sheets, and other financial documents(Christa, 2023).

As conducted by (Nyamboga et al., 2014) Improving people's financial literacy can lead to better use of financial products and services, greater control over their financial future, and reduced vulnerability to aggressive sales tactics. A knowledgeable public encourages financial regulators to improve the quality and effectiveness of financial services. Well-informed investors can push financial institutions to offer more fairly priced and transparent services by considering other

options, asking relevant questions, and negotiating more skillfully. They can also evaluate and compare different financial products, including bank accounts, savings plans, credit and loan options, payment methods, investments, and insurance coverage. In today's world, financial processes are increasingly complex, involving investment funds, a wide range of banking products, insurance systems, and pension system reforms. (Sudakova, 2018). Financial literacy is a mixture of awareness, knowledge, skills, attitude, and behavior needed to make sound financial decisions and ultimately achieve individual financial well-being (OECD, (Henson ALFA et al., 2023).

Financial literacy can be described as the elements of human capital that are utilized in financial endeavors to enhance an individual's overall financial welfare. The definition of financial literacy includes the ability to secure personal income, the capability to make decisions on expenditures, the understanding of the consequences of personal decisions on current and future income, and orientation in the job market. (Krechovská, 2015). Financial literacy, as defined by (Lusardi et al., 2014) the term describes the knowledge, skills, confidence, and motivation needed to handle finances effectively. The current definition mentions ability, knowledge, and skills, but does not specify the aspects of money management that make up a person's financial literacy.

Some researchers focus on basic financial knowledge, such as understanding interest rates and inflation, while others emphasize practical skills like budgeting and investing. Additionally, some consider psychological factors, such as attitudes and behaviors toward money, as integral components of financial literacy (Singh, 2021). Financial literacy is the techniques of financial principles and concepts such as financial planning, managing debt, profit-saving techniques, and the time value for money. The absence of financial literacy may lead to making poor financial choices that have negative consequences on the financial activities of an individual (Kotoklo et al., 2023). A comprehensive analysis of the relevant literature shows that at the beginning of the research, there were three main types of definitions of financial literacy: one that emphasized knowledge, another that emphasized skills, and a third that emphasized both knowledge and skills. As research progressed, other elements were added to the concept of financial literacy, which included elements other than cognition, such as awareness, attitudes, and behaviors, making the concept increasingly rich and three-dimensional (Shi & Lim, 2023).

Table 2.1 shows the summary definition of financial literacy, author and year

Year	Scholars/Institutions	Definition
1992	Noctor et al	The ability of an individual or household to make informed decisions about the use and management of money.
1996	Cutler & Devlin	The economic and financial knowledge that people must have in order to participate effectively in financial markets.
2002	Bowen	An understanding of the financial terms and concepts that are necessary in the daily lives.
2003	Hilgert & Hogarth	Financial knowledge.
2003	Moore	Financial knowledge and financial capability.
2005	Beverly & Burkhalter	The knowledge and ability to manage one's money.
2009	Hung et al.	The ability to use financial knowledge and skills to effectively manage financial resources for lifelong financial well-being.
2012	Atkinson & Messy	Financial knowledge, financial attitudes, and financial awareness.
2014	Lusardi et al.	The ability to gather information and plan asset allocation
2015	OECD/INFE	A combination of awareness, knowledge, skill, attitude, and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being

Source: (Shi & Lim, 2023)

2.1.2 Importance of financial literacy

As a study conducted by (Gaudence et al., 2018) Financial literacy refers to the knowledge, skills, attitude, and understanding of financial concepts such as budgeting, saving, investing, and debt management. It plays a crucial role in individuals' financial decision-making processes and hence determines the success of loan repayment in SACCOS Michael, B.(2014). It increases member education and awareness with the necessary knowledge and skills in making informed financial decisions. It makes the SACCOS members financially literate on SACCOS loan products, budgeting, cash flow management, debt management strategies, risk management, contingency planning, effective communication and support from management. Kakaire, A. (2019)

Financial literacy involves the understanding of both basic financial concepts and the ability and discipline to use that information to make wise personal and financial decisions. These decisions include when to spend when to save, effectively managing a budget, choosing the right financial product and readiness to address other life events, such as financing our own children's education and planning for retirement. Financial literacy also enables individuals to make informed decisions when presented with credit opportunities and to have the knowledge to determine the appropriate amount to borrow. It serves as a tool that transcends political, geographical, and socio-economic boundaries, and its impact is evident even in developing nations repayment (Hamid, 2021).

2.2. Saving and credit cooperatives (SACCOs).

The Savings and Credit Cooperatives Union (SACCOs) in Ethiopia play a crucial role in providing financial services to the population. SACCOs are member-owned financial institutions that aim to promote savings and provide credit facilities to their members. They operate under the umbrella of the Ethiopian Cooperative Society Act, which was established in 1960. According to a report by the National Bank of Ethiopia, (2021), approximately 3,000 primary SACCOs are operating in the country. These primary SACCOs serve as the foundation for the larger cooperative movement and act as a link between individual members and the SACCOs Union.

Ethiopian Cooperative Agency (2019) the SACCOs Union is an apex organization that represents and coordinates these primary SACCOs. It provides technical support, training, and capacity building for its member cooperatives. The union also acts as a supporter of cooperative development at both national and international levels. In terms of membership, SACCOs have made significant progress over the years. As per data from 2020, there are over 5 million members actively participating in various primary SACCOs across Ethiopia. This number reflects a growing interest among Ethiopians to engage with cooperative societies as a means of improving their financial well-being (World Council of Credit Unions (WOCCU) Africa Region (2020).

2.3. Loan Repayment

Loan repayment refers to the process of repaying a loan borrowed from a financial institution or lender. It involves making regular payments, typically monthly, to gradually reduce the loan principal and pay off the interest accrued over the loan term. These payments would be divided between

the interest (the interest on the remaining loan amount) and the principal repayment (the remaining part of the periodic payment used to decrease the remaining loan amount)(Study et al., 2021).

2.3.1 Loan default in SACCOs

Loan default refers to the failure of a borrower to repay their loan as agreed upon in the loan agreement. This issue has become increasingly prevalent in recent years, particularly in the context of finance literacy and its impact on loan repayment in Savings and Credit Cooperative Organizations (SACCOs). SACCOs are member-owned financial institutions that provide loans and other financial services to their members.

2.4. Effect of finance literacy on loan repayment

A lack of finance literacy can lead to poor financial decision-making, which increases the probability of loan default. According to a study conducted by Smith (2019), individuals with low levels of finance literacy are more likely to default on their loans compared to those with higher levels of finance literacy. Individuals with higher levels of financial literacy were more likely to make timely loan repayments and have lower default rates. Members with low finance literacy may not fully understand the terms and conditions of their loans, leading them to make uninformed decisions that result in default. Secondly, they may struggle with budgeting and managing their income effectively, making it difficult for them to allocate funds for loan repayment. but members with greater financial literacy are better able to understand the terms of their loans, manage their finances effectively, and make informed decisions about borrowing and repayment. Financial literacy was positively correlated with better credit management and loan repayment behavior persons with higher levels of financial literacy were more likely to avoid late payments, default, and delinquency on their loans(Muturi, 2017).

In Ghana,a study found that financial literacy significantly improved loan repayment performance. The study examined the potential effect of financial literacy on loan repayment in the Ghanaian context and found that financial literacy training improved loan repayment performance by empowering borrowers with knowledge and skills to manage their finances effectively (Baidoo, 2020). There are different factors that would effect the loan repayment either positively or negatively. Based on empirical literature review under the preceding section factors effecting loan repayment performance are Demographic characteristics related, Socio-economic related ,and Financial literacy related.

2.4.1 Demographic characteristics and socio-economic related

Gender: study conducted show that women tend to have lower levels of financial literacy compared to men, which can influence their ability to manage money effectively, make informed financial decisions, and ultimately affect their loan repayment behavior (Bais, 2023). According to a study conducted by the National Foundation for Credit Counseling(2018),men often display lower levels of financial knowledge compared to women. This gender gap in financial literacy can have significant consequences on individuals' financial behaviors, including loan repayment. Other study on Financial Literacy and Credit Repayment in MFI found that women have a significantly higher repayment rate compared to men. The resechrer attribute this outcome to women being more disiciplined when it come to meet bank requirement, being more responsive to societal expectations, having less mobility, and being more involved in solidarity guarantee groups Kotoko, A. (2023). Other many researchers argue that females were better payers than male borrowers, taking into consideration they're being more entrepreneurial which results from assuming more responsibilities in the internal affairs of a household Ofbaga (2018).

Age: a study by Smith et al. (2018) revealed that older borrowers tend to have higher levels of debt compared to younger borrowers, which can further hinder their ability to make timely loan payments. the age of the borrower is also mentioned as a factor that can explain credit repayment performance in MFI. With age, the individual acquires more education, skills, experience, and maturity. All these attributes allow him to invest the credits received in better thought-out projects and in turn increase the probability of repayment KEGLO, K (2023) Older age can be associated with more experience and financial stability, which may contribute to better financial literacy and loan repayment practices. As individuals age, they tend to accumulate knowledge and experience in managing their finances.Older individuals may have had more time to establish a stable income, build a credit history, and develop responsible financial habits”

Education:Education isa significant predictor of financial literacy, with higher levels of education often associated with higher levels of financial knowledge. This education-related gap in financial literacy can affect loan repayment behavior,with less educated individuals potentially facing more challenges in managing their finances effectively.the sources provided offer valuable insights into the relationship between educational level, financial literacy, and loan repayment behavior

Educational Level and Financial Literacy

Participation in financial education programs is associated with higher levels of financial literacy compared to those who do not participate in such programs. Financial education can positively impact financial literacy, with studies showing that formal financial education increases financial literacy and promotes positive financial behaviors. Individuals who receive financial education are more likely to have higher levels of financial literacy, which is crucial for making informed financial decisions, including managing loans effectively (Hales E. S., 2021).

Educational Level and Loan Repayment

Educational level can influence loan repayment behavior, with higher levels of education often associated with better financial literacy and financial decision-making skills. Financial literacy is a key component of loan repayment behavior, as individuals with higher financial literacy are more likely to make timely loan payments and avoid default. Educational level may impact the ability to understand loan terms, manage debt responsibly, and make informed decisions about borrowing and spending, all of which are crucial for successful loan repayment (Hardoon, 2016). A study by (Jote, 2018) found that individuals with higher levels of education were more likely to make timely loan payments and had lower default rates compared to those with lower levels of education.

Occupation According to a study by the World Bank. (2013) employees are generally perceived as having a higher likelihood of repaying loans on time compared to farmers, traders, and retirees. The study suggests that this is primarily due to the stable and predictable nature of income that employees typically receive, which enables them to more effectively manage their debt obligations. In a report by the International Food Policy Research Institute (IFPRI) (2018) titled "Income Volatility and Food Assistance Programs," it is highlighted that farmers and traders often encounter more fluctuating income streams and market uncertainties. These factors can pose challenges for individuals in these occupations, making it difficult for them to consistently repay loans on time. According to a report by the Consumer Financial Protection Bureau (CFPB). (2014) titled "Snapshot of Older Consumers and Mortgage Debt," retirees may face challenges in loan repayment due to potential limitations on their income during retirement.

The report highlights that depending on their post-retirement financial planning and sources of income, retirees may struggle to meet their debt obligations, including loan repayments.

Marital status:-Marital status has long been considered a significant factor in determining an individual's financial stability and responsibility. In the context of loan repayment performance, studies have shown that married individuals tend to have a higher probability of meeting their loan obligations compared to their single counterparts. This can be attributed to the shared financial responsibilities and support that come with marriage, as well as the increased accountability that comes with having a partner (Smith et al., 2018). Marital status has been found to influence loan repayment behavior, with some studies suggesting that married borrowers tend to have better repayment performance compared to single borrowers Saparila (Saparila, 2019).

Family size; Family size can impact financial literacy, with larger families potentially facing more challenges in managing their finances effectively due to the increased complexity of their financial situation. This suggests that larger family sizes may negatively affect loan repayment performance, possibly due to increased household expenses and the need for more income to support the family. Similarly, a study in Ethiopia found that family size significantly affects loan repayment performance, with borrowers from larger families being less likely to repay their loans on time (Melese, 2019). Research conducted by Smith et al. (2018) found that individuals from larger families tend to have lower loan repayment rates compared to those from smaller families.

Monthly income. According to a study by (Brown et al, 2017) individuals with higher incomes have a greater ability to meet their financial obligations, including loan repayments, due to their increased disposable income. The study conducted by (Smith, 2020) found that individuals with lower monthly incomes are more likely to default on their loans, leading to negative consequences such as damaged credit scores and increased debt burden. Higher monthly income levels are generally associated with better loan repayment performance, as borrowers with higher incomes have more financial stability and resources to meet their repayment obligations on time. According to a study by the National Endowment for Financial Education, individuals with higher incomes tend to have higher levels of financial literacy and are more likely to make

informed decisions about borrowing and managing debt (NEFE, 2019). Additionally, a report by the Consumer Financial Protection Bureau found that individuals with higher incomes are more likely to have access to financial education and resources, which can help them make better financial decisions, including when it comes to taking out loans and managing debt (CFPB, 2018).

2.4.2 .Financial literacy-related variables

Budget literacy: budgeting literacy is the possession of skills and knowledge to set financial goals, prepare and use budgets, effectively, to monitor the financial performance of a business the ability to create and manage. This skill is essential for loan repayment as it enables borrowers to plan and allocate resources efficiently, ensuring that loan repayments are made on time. Budget literacy can help borrowers avoid overspending and ensure that they have enough funds to repay their loans. Supriyadi (Supriyadi, 2024). Budgeting literacy improves the ability of members to pay loans on time without default since they can do forecasting and internal audits to identify errors in their enabling them count hence enabling them to make necessary changes in good time (Gaudence et al., 2018). Budget literacy is understanding how to create a budget. individuals can allocate their resources effectively and ensure that they are not overspending or accumulating debt (Case et al., 2022).

Debt management literacy: a study conducted by Idowu (2015) claims that a major barrier to the rapid development of the SME sector is inadequate or a shortage of both debt and equity financing. Accessing finance has been seen as a key force for SMEs to succeed in their effort to build productive capacity, compete, create jobs, and reduce poverty in developing countries. SMEs in developing economies, especially in Africa hardly meet the conditions set by financial institutions which see SMEs as a risk because of poor guarantees and a lack of information about their ability to access loan and repay it (Idowu, 2016). without finance, SMEs cannot acquire new technologies or compete favorably in global markets.

Poor debt management and accounting practices are hindering the ability of SACCOs to raise finances. This is coupled with the fact that SMEs are mostly owned by people whose lifestyles may have effects on the operations of such businesses. The high level of financial literacy regarding debt management enhances business performance. This means a person who knows

how to manage his/her debt in running the business efficiently would have better financial performance (Jemal, 2019). Debt management is for familiarity with interest rate calculations helping borrowers comprehend the total cost of borrowing and the impact of interest on loan repayment, awareness of loan repayment schedules, consequences of missed payments, and the implications of defaulting on loans is for maintaining financial stability. members who understand these aspects are more likely to fulfill their repayment obligations on time, thereby preserving their creditworthiness and financial well (Brown et al., 2016))

Bookkeeping literacy: is the ability to keep accurate financial records and accounts. This skill is vital for loan repayment as it enables borrowers to track their income and expenses, ensuring that they have enough funds to repay their loans (Supriyadi, 2024). Book-keeping literacy is the ability to keep track of income and expenses; this improves the chances of making a profit and collecting the financial information necessary for filing various tax returns. There is no requirement that financial records be kept in a particular way An accounting system records, retains, and reproduces financial information relating to financial transaction flow and financial position. Financial transaction flows involve inflows on account of income and outflows (Henson ALFA et al., 2023).

Borrowers who have strong bookkeeping literacy are more likely to make their loan payments on time and Knowledge of the double entry concept in bookkeeping ensures that financial transactions are recorded accurately and systematically (Kruger et al., 2019). Bookkeeping literacy ensures that individuals have access to reliable data on their financial status, enabling them to assess their repayment capacity, negotiate favorable loan terms, and avoid financial pitfalls that may hinder their ability to repay loans (Gibson, 2019).

Saving literacy: A study conducted by (Mwangi et al., 2019) found that individuals with high saving literacy were more likely to have higher savings levels in their Sacco accounts. Saving literacy involves understanding the importance of saving money for future needs or emergencies. Individuals who possess this skill are more likely to have a safety net in case of unexpected expenses or job loss (Metto, 2020). Saving allows individuals to build an emergency fund, plan for future expenses such as education or retirement, and have a safety net in case of unexpected events. (Lusardi & Mitchell, 2014). Awareness of various saving options, such as high-yield savings accounts, investment accounts, or retirement savings plans, enables individuals to

maximize their savings potential and have resources available for loan repayments when needed (Drexler, 2014). Developing a structured savings plan and adhering to it promotes financial discipline and responsibility.

2.5 Empirical review

The empirical related literature tried to review several studies conducted in Ethiopia and other countries by different researchers on the effect of financial literacy on loan repayment performance of members of SACCOs and other MFs summarized as follows.

2.5.1 Empirical studies of other countries

Several studies have been conducted in different countries regarding the effect of financial literacy on the loan repayment performance of members and the sum of them can be reviewed and summarized as follows.

(Gaudence et al., , 2018)conducted a descriptive quantitative research study to examine the impact of financial literacy on loan repayment among small and medium entrepreneurs of microfinance institutions in Inozamihigo Umureng. They employed multiple regression analysis and utilized correlation and regression analysis techniques to investigate the relationship between financial literacy on loan repayment performance in umbrage SACCOs results indicate a strong positive correlation between bookkeeping, budgeting, and debt management.

In this research conducted (Wanjiku, 2017)the impact of financial literacy on loan repayment within an ecumenical church loan fund in Kenya was examined. The independent variable was thoroughly assessed in terms of financial negotiation literacy, debt management literacy, budgeting literacy, and bookkeeping literacy. As the binary logistic model is a probabilistic model, **the researcher** evaluated the likelihood of a respondent delaying loan repayment. The findings indicated that all independent variables were statistically significant, with a p-value below 0.05. Moreover, a negative correlation was observed between the independent variables and the likelihood of a respondent delaying repayment. The study revealed that only 45.5% of the variance in the dependent variable could be explained by financial literacy, indicating that 54.5% of the variance was attributed to other factors..

The study conducted by(Kotoko, 2023) focused on Financial Literacy and Loan Repayment in MFIs using binary logistic regression to analyze the data collected from 246 participants. The fin

dings revealed that budgeting literacy and credit management literacy significantly impact credit repayment at 5% and 10% levels of significance. Furthermore, variables such as age, marital status, savings, and gender were also found to play a role in explaining credit repayment behavior.

A study investigated whether female borrowers are at greater risk of loan default than male counterparts and used logistic regression on data from 4,867 loan recipients of a large financial institution in Togo over the period 2012 to 2019. The estimates show that gender has a significant effect at 1% on default. This result shows that women are less exposed to the risk of credit default than men. In addition, variables such as duration of credit, amount of credit, number of years of experience, type of collateral, age, and ICT use are significant in explaining credit repayment (Kotoko, 2023).

(Metto, 2020) the relationship between member financial literacy and loan repayment in savings and credit co-operative societies in Uasin-geisha County, Kenya. The study adopted a cross-sectional research design and binary logistic regression was used to analyze quantitative data while qualitative data were analyzed using the content analysis technique. Results revealed that MFL in SACCOS was low. The MFL was on budgeting, savings, statically negative, while as debt management, and bookkeeping. , financial capability, awareness, Attitudes, and beliefs are positive

Gaudence, M. (2018) conducted a research study to examine the relationship between financial literacy and loan repayment among small and medium enterprises (SMEs) within Savings and Credit Cooperative Organizations (SACCOs) in Rwanda. The study utilized a descriptive quantitative research design and included a total population of 130 SMEs. The data collected were analyzed using SPSS software Version 20 and were presented through tables and graphs. The results of the study indicated a strong positive correlation between book

(Alfa, 2023). Conducted a study on the moderating effects of gender on financial literacy and loan repayment performance in (SMEs) in Nigeria. The independent variables for the study were analyzed in terms of bookkeeping literacy, budgeting literacy, and debt management literacy. The data was analyzed using a structural equation model (SEM). In line with expectations, the study established that gender has a positive moderating effect on bookkeeping

literacy, while gender has a negative moderating effect on budgeting literacy and debt management literacy in Kano State.

2.5.2. Empirical studies in Ethiopia

Few researchers carried out empirical studies at different times on the effect of financial literacy on loan repayment performance of members in the case of saving and credit cooperatives of members throughout the country reviewed as follows.

(Jemal, 2019) Studied the effect of Financial Literacy on the Financial Performance of Medium Scale Enterprises in Hawassa City. The results revealed that Budgeting literacy, Debt management literacy, accounting literacy, and saving literacy were statistically significant at a significance level of less than one percent and had a positive relationship with loan repayment. Explanatory research design and descriptive survey design with a mixed approach were employed to carry out this study. The researcher applied both primary data, which were collected using a questionnaire, and secondary data obtained from the financial statements of medium enterprises to achieve the underlying objective. The statistical methods of data analysis used were both descriptive and inferential statistics. Additionally, Stata version 12 software was used to analyze the collected data. The results of the study have shown that budgeting literacy, debt management literacy, accounting literacy, and saving literacy have a positive and significant effect on financial performance.

(Case et al., 2022) Case et al., 2022) An analysis of financial literacy and its effect on loan repayment performance of members in Weltane Ambo Saccos Union in West Shoa Zone, Oromia Regional State, Ethiopia. It was revealed that financial literacy, budget literacy, and debt management literacy were significant factors in the loan repayment performance of members at a significant level. The study adopted a descriptive quantitative research design and used multiple regressions and correlation analysis to analyze quantitative data. Qualitative data were analyzed using the SPSS software version. Correlation and regression analysis techniques were used to study the relationship and effects of financial literacy factors on loan repayment among WASaccosu. The findings revealed a high positive correlation between member attitude, budgeting, debt management literacy, and loan repayment.

(GADISO, 2023) conducted a study on the analysis of financial literacy and its effect on loan repayment of Shabadino Woreda Saving and credit Cooperatives. The study used The study descriptive quantitative design. Multiple regression correlations were used to analyze quantitative data while qualitative data were analyzed using SPSS software Version 26. All the variables of the study (financial literacy, bookkeeping, and debt management literacy) affects the loan repayment in SACCOs. The results indicate that a high positive correlation between member attitude, bookkeeping and debt management literacy, and loan repayment.

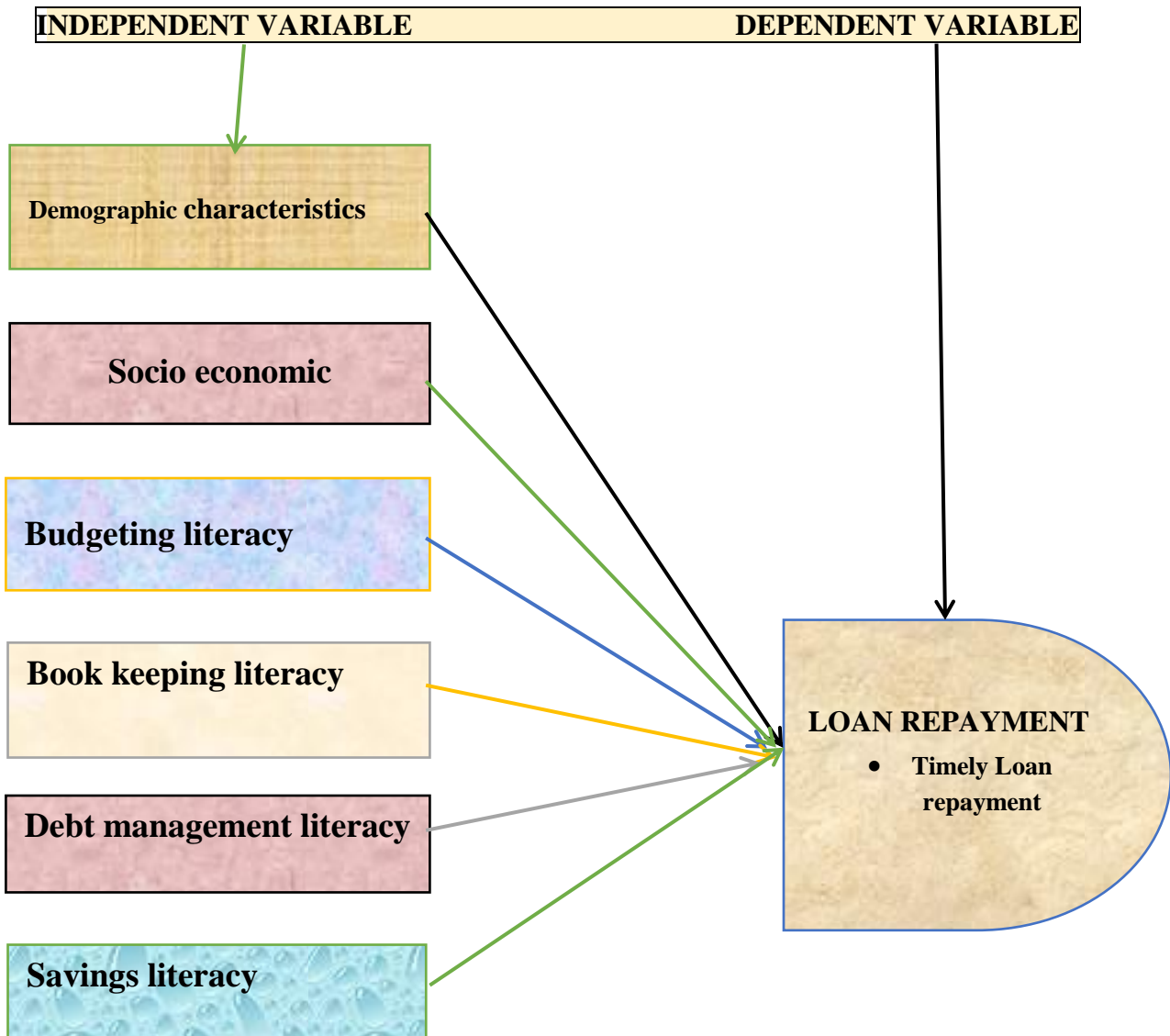
2.6. Research Gap

As mentioned above in the various empirical related literature reviews different authors conducted studies in Ethiopia and other countries on the effect of financial literacy on loan repayment performance by using different factors in characteristics and they revealed those positive or negative effecting loan repayment performance. The majority of the studies conducted focused on loan repayment-related MFI borrowers, but few studies indicate the loan repayment performance of SACCOs. However, the present research focuses on the effect of financial literacy on loan repayment performance in Sacco's union beneficiaries. They also conducted only separate two savings and credit cooperatives, there are no SACCO factors by comparing savings and credit cooperatives, and no one of the researchers conducted a study on the effect of financial literacy on the loan repayment performance of members at Duroshalla SACCOs Union. So researcher was motivated to conduct further empirical study by including members of Duroshalla SACCOs Union and its members of SACCOs additional variables to examine the factor's effect of financial literacy on loan repayment performance numbers of Duroshalla SACCOs Union in the study area. The researcher divided demographic characteristics, socio economic and saving literacy that significantly affect the loan repayment performance of members are the concern of the study area.

2.6.1. Conceptual Framework

The conceptual frameworks of this study derived from the above literature review on the hypothesis and the theories adopted. The conceptual framework of this study proposed the effect of financial literacy on loan repayment performance in the Duroshalla SACCOs Union West Arsi zone

Figure 2.1: Conceptual Framework



Source: The Researcher's own sketch

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

INTRODUCTION

This section provides information about the methodology used to conduct the research. The main topics discussed include research design, study area and population, data sources, size of the sampling frame, sampling method, and research instruments. The subsequent chapter of the research will delve into the techniques employed to measure and infer the study variables.

3.1 Description of the Study Area

This study was conducted in the West Arsi zone, which is located approximately 250 km from the capital city of Addis Ababa, within the Rift Valley region. The zone is one of the 20 administrative zones of the Oromia Regional State in Ethiopia and extends from 6°12'29" to 7°42'55" latitude and 38°04'04" to 39°42'08" longitude. The West Arsi zone is potentially rich for farming due to its agro climatic conditions, with 45% and 39.6% classified as cool/alpine and sub tropical, respectively. This makes the zone suitable for cultivating cereal crops such as wheat, barley, maize, sorghum, beans, and oilseeds. Additionally, the zone is also suitable for cultivating sweet potatoes, vegetables, and animal resources, which cover the largest portion of the cultivated land area.

The West Arsi zone city Administrative is Shashamane town, which is located 25 km away from Hawassa city in the Sidama region. Shashemene is bordered on the west by Shala, on the east by Kore, to the south by the Sidama region, on the north by Nagele Arsi, and the southeast by Kofele. The area is home to various ethnic groups, predominantly Oromo, Amhara, Wolayita, Gurage, Kanbata, Sidama, Tigre, and Jamaican, which constitute more than 85% of the population (Shashamene town Administration report, 2022). The majority of the population speaks the Oromic language, and the majority of the inhabitants are followers of Islam (75%), while 10% are Orthodox Christians, 10% are Protestants, and 5% follow other religions.

The study was conducted specifically at the Duroshalla SACCOs Union is located in Sheshemene Town, West Arsi Zone, Oromia Regional State, Ethiopia. It was established by 33 primary SACCOs, consisting of 667 male and 736 female members, from both urban and rural areas. As of October 28 E.C, it has grown to include 162 primary SACCOs with a total

membership of 14,011, of which 4,181 are male and 9,830 are female. Currently, the union has a capital of Birr 14,354,476.80 and total savings amounting to Birr 11,242,983 million. The main objective of the Duroshalla SACCOs Union is to increase members' financial literacy, promote investment and accountability, encourage a savings culture, and involve members in important projects. The union offers various services such as long, medium, and short term loans, insurance, and training (DSSACCOs Union, 2020).

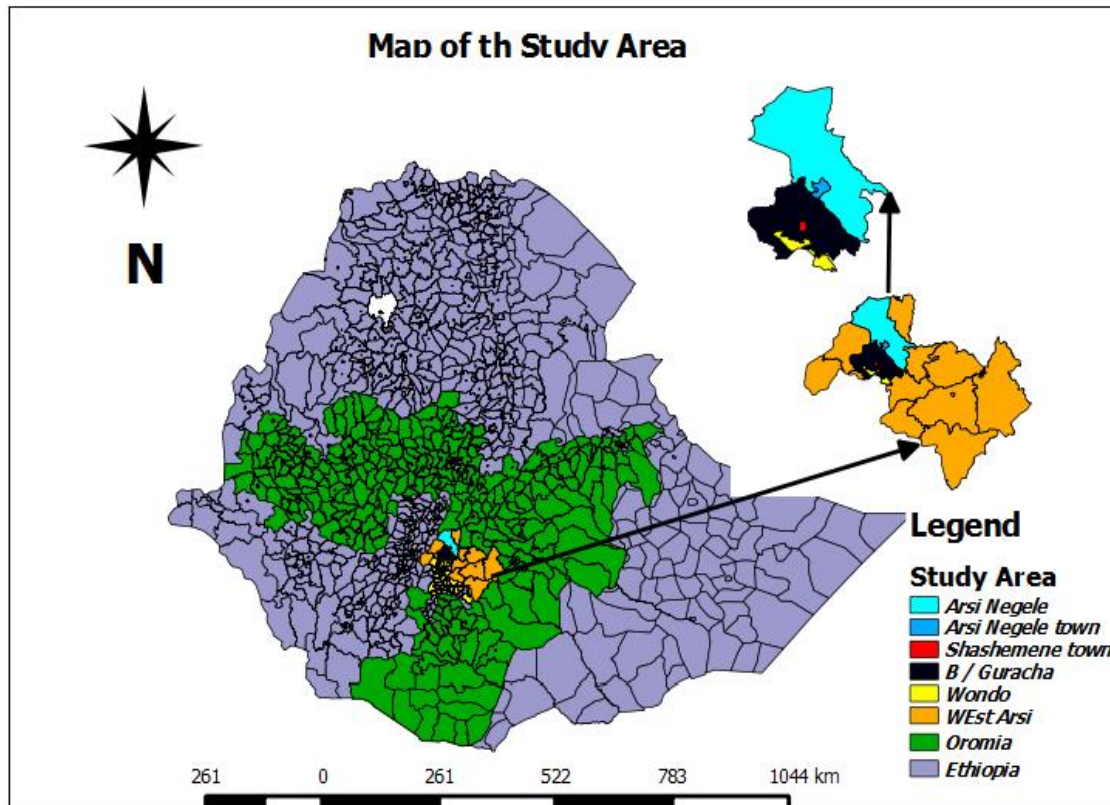


Figure 2:1. Location of the study area

3.2 Research design

According to Creswell, (2014), research design refers to a plan, structure, or outline that produces an answer to the research question. The primary purpose of this study is to assess the effect of financial literacy on the loan repayment performance of members concerning of Duroshalla SACCOs union. To achieve this objective in this study explanatory and descriptive (cross-sectional) survey design was employed. Explanatory research design helps to identify or explain the phenomena issue between the different variables and descriptive (cross-sectional) survey design was to collect data from SACCO members at a single point in time.

3.3 Research approach

To obtain valid and reliable data for the study, a mixed research approach (quantitative and qualitative) with a parallel convergent design was employed. The advantage of the mixed research method is that it enables triangulation and supports the data and results collected by questioners. According to Gibson (2017), the use of both quantitative and qualitative approaches is used to eliminate the weakness of one approach by being complimented by another approach.

3.4 Target population.

Currently, 162 savings and credit Cooperatives are in the Duroshalla SACCOs Union. However, due to financial constraints, the researcher purposively selected five SACCOs such as Kokeb SACCOs in Bishan Gurracha, Burqa Bele SACCOs in wodndo, Idget tesfa SACCOs Nagelle Arsi, Fnent SACCOs in sheshamene, and Gennet SACCOs in shshamene. Hence, the justifications for purposive sampling adopted for the selected SACCOs are the size of the dividend allocated, the amount of loan they take, their financial position/shares in Duroshalla SACCOs Union, their membership status and numbers, and the rewards they receive from Duroshalla SACCOs Union at the General Meeting. The total population of these five primary SACCOs was 328, from which the sampler will draw.

3.5 Sample size determination

To determine the Sample size of total borrowers, the mathematical formula of Yemane 1967 was used by taking into account the total population, sampling error, and level of reliability it assumed that sample would have 95% reliability in population and sampling error was 5%. This simplest formula is;

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

$$\text{By inserting the above formula } n = \frac{328}{1 + 328(0.05^2)} = 180$$

Where:

N = the total population

n = is the required sample size

e = precision level which = ($\pm 5\%$.)

Therefore the target population, sample, and sampling techniques was summarized as follows in the table

Table 3.1 Summary of the target population, sample and sampling techniques

No	Name of SACCOs	Total Members	Sample size
1	Kokeb SACCOs	40	22
2	Burqa bele SACCOs	112	61
3	Edget tesfa SACCOs	25	14
4	Fenet SACCOs	35	19
5	Gennet SACCOs	116	64
Total	5	328	180
Sampling Technique	Purposively selection		Simple random

Source; Duro shalla saving and credit cooperative union office 2024

3.6 . Sampling Technique

Sampling technique Homogeneous purposive sampling was used in the study. The purpose of this study was to assess the effect of financial literacy on loan repayment among the Duroshalla SACCOs union. Purposive sampling was used because in fulfilling the study objective, the researcher targeted only those SACCOs members who took loans to form the population means that the borrowers. They were the right people to give the researcher the right information regarding financial literacy and loan repayment. After getting the sample size of 180 members, the researcher employed a simple random sampling technique to collect data from the respondents SACCOs.

3.7. Sources of Data

To achieve the stated objective, the researcher used both primary and secondary sources of data. The primary data was collected by using a questionnaire and, interview) whereas secondary data will collected from the relevant books, journals, institutional publications annual audited financial statements regarding loans planned, loans distributed, loans collected, and uncollected reports.

3.8 Methods of data collection

Study used as its main research instrument and key informant interview as supplementary instrument.

Questionnaires; The questionnaire is one of the instruments used for data collection which is both (open and closed-ended) to make it easy for respondents to respond necessarily to test the relation of selected variables the demographics characteristics and socio-economic debt management literacy, budget literacy, and bookkeeping literacy the case of selected study area. questionnaires prepared by reviewing literature related to the objectives of the study and contained three parts such as demographic characteristics and socio-economic, budget literacy, and bookkeeping literacy, The Questionnaire was prepared in the English language and then translated to Afan Oromo to minimize the language barrier and was distributed to members of SACCOs, budget literacy, bookkeeping literacy, debt management literacy and saving literacy data were systematically categorized to easily understand express their feeling 5-point Likert scale namely (1) strongly disagree,(1) disagree, (3) neutral (4) agree,(5) strongly disagree used the understand respondent degree of agreement with each statement because the Likert scale used since they are flexible and can be constructed more easily than most other types attitude scale.

Semi-structured interview: Semi-structured Interview is an effective qualitative research tool that allows researchers to gather detailed information from individuals with expert knowledge or experience Duroshalla SACCOs union. Therefore for this study researcher interviewed one general manager, one accountant one loan manager of the Duroshalla SACCOS union in the case of the selected office. The study is employed in an interview guide that was face to face and the results wa by manually recorded using pen and paper. The researcher preferred to use an interview guide because there is useful for obtaining detailed information about feelings, perceptions, and opinions..

3.9.Method of Data Analysis

The data collected through the above-stated techniques were thoroughly coded and checked for consistency and analyzed and interpreted using both descriptive statistics and econometric analysis. Accordingly, the researcher analyzed the data using descriptive statistics (frequencies, percentages, mean, and standard deviation) to obtain information on the effect of financial

literacy on loan repayment performance, and the binary logistic econometric model (logit) was used to identify the factors of loan repayment ability in Duroshalla saving and credit cooperative whereas econometric analysis, specifically binary logistic regression was used to identify statistically significant variables about the dependent variable. A loan repayment performance refers to the ability/capability of members to duly repay loans or fail to repay their loans. Hence, the dependent variable is a dummy variable. If the member's borrowers financially experienced well repayment performances the dependent variable takes a value of 1, and if the member's borrowers fail to repay their loans as per the terms of agreements/contracts the dependent variable takes the value of 0. So, the level of significance and influence of each independent variable was defined and identified using both descriptive and econometric analysis against the dependent variable. Finally, the analyzed data was presented in the form of tables and percentages to make the data understandable, and an attractive detailed statement would support these tools.

3.10 Model Specification

Data collected through the above-stated methods were analyzed using different techniques. According to (Kothari, 2004) data analysis requires several closely interrelated operations such as the establishment of categories, the application of these categories to raw data through coding, tabulation, and then drawing statistical inferences. Hence, the researcher analyzed the collected data using descriptive statistics (frequencies, percentages, mean, and standard deviation) to obtain information on the effect of loan repayment performances especially to summarize and conclude the implications of qualitative data and binary logistic econometric model (logit) was used to analyze the effect of loan repayment ability of the Duroshalls SACCOS Union members. According to Vasisht (n.d), logit analysis produces statically sound results, which can be easily interpreted, and the method is simple to analyze. Assume the following basic model, it can be express the probability that $y = 1$ as a cumulative logistic distribution function

$$Y_i = \beta_1 + \beta_2 X_i + \epsilon_i$$

$$P_i = \Pr\left(y = \frac{1}{x_i}\right) = \beta_1 + \beta_2 x_i$$

The cumulative Logistic distributive function can then be written as:

$$P_i = \frac{1}{1 + e^{-(\beta_1 + \beta_2 x_i)}} = \frac{e^{z_i}}{1 + e^{z_i}}$$

Where, $Z_i = \beta_1 + \beta_2 X_i$

$P_i = \text{prob}(Y = 1 | X)$ is the response probability. The non-response probability $(1 - P_i)$ is also evaluated as .Note that the response and non- response probabilities both lie in the interval $[0, 1]$; Z_i ranges from $-\infty$ to $+\infty$, and hence, are interpretable .The odds ratio $\log\left(\frac{P}{1-P}\right)$ and its log-

transformation.

$$\frac{P}{1-P} = \frac{\text{prob}(y_i = \frac{1}{x_i})}{\text{prob}(Y_i = \frac{0}{x_i})} = \frac{1+e^{z_i}}{1+e^{-z_i}} = e^{z_i}$$

$$L_i = \ln\left(\frac{p_i}{1-p_i}\right) = z_i = \beta_1 + \beta_2 X_i \quad (\text{Gujarati, 2004})$$

L_i called the logit; thus, the log-odds is a linear function of the explanatory variables.the above transformation has certainly helped the popularity of logit model. Note that for the linear probability model, it is P_i that is assumed to be a linear function of the explanatory variables. The odds ratio can be interpreted as the probability of something happening to the probability it will not happen. Accordingly, the estimated models used in this study are presented as follows.

$$LRP = \beta_1 + \beta_2(GEND) + \beta_3(AG) + \beta_4(EDUL) + \beta_5(OCPM) + \beta_6(MRTS) + \beta_7(FSZ) + \beta_8(MI) + \beta_9(BL) + \beta_{10}(KL) + \beta_{11}(DML) + \beta_{12}(SVL)$$

The explanation of each variable is as follows

Were, LRP=loan repayment performance, GEN = Gender, AG=Age EDL=Educational level,OCP =Occupational, MRTS =Marital status,MI = Monthly income,FSZ= Family size, BL= Budgeting literacy BKL=Bookkeeping literacy,DM=Debt management literacy and SVL=saving literacy respectvly.

β_1 = an intercept, Where $\beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7, \beta_8, \beta_9, \beta_{10}, \beta$ represent estimated coefficients

On the other hand, binomial logit regression model of regression was used for econometrical or statistical analysis of the study. The statistical analysis of model with qualitative dependent variables can be viewed as the problem of expecting likelihoods for the several possible values (replies) of the dependent variable. Odd ratios were used to explain the degree of influence of the variable. Odd ratio/ logistic regression coefficients provide information on the probability of being on timely payer and not timely payer as we change the independent variable by on unit reference to on time payer category .

3.11. Variables of the Study

In order to achieve the objectives the researcher select different variables based on literatures that could effect the dependent variables either positively or negatively. Selection of variables was based on empirical literature review as presented under the preceding section to establish the effect loan repayment performances.

The researcher also considered other factors likel to effect loan repayment perfomace and summarizes these variables under two broad categories like: Demographic characteristics and Socio-economic related and financial literacy related.

3.11.1 The Dependent Variable

The dependent variable of the study is loan repayment performances. Loan repayment performance (LRP) is the ability to repay the loan as per the loan agreement and/or inability to repay the loan by either failing to complete the loan as per the loan agreement or neglect to services the loan. There are a number of different factors that would effect the dependent variable either positively or negatively.

3.11.2 Definition and Hypothesis on Independent Variables

To analysis the effect financial literacy on loan repayment, the researcher summarized variables in to two categories, the firtst is Demographic characteristics and Socio-economic related of the borrowers ,and the second is Financial literacy -related. So, dependent variable (loan repayment performance) is expected to be explained by the following independent variables.

Demographic characteristics and Socio-economic related variables

Xi1= Gender: gender is determines whether male or female members perform better than the other. It is a dummy variable taking, 2 for female and 1 for male. Women's lower levels of financial literacy may delay their ability to access and use financial products, save for retirement, build emergency savings, or invest, which can impact their financial independence and ability to repay loans. Thus being women expected to have a positive sign on loan repayment.

XI2Age: age of members in years. It is a continuous variable but rearranged as 1) for age (20-25) 2) for age (26-30) and 3) for age (31-35) ,4) for age (36-40) and 5 for age is argued that members are wiser and more responsible than. Older age can be associated with more experience and financial stability, which may contribute to better financial literacy and loan repayment

practices. Hence, The older aged has positive impact on financial literacy on loan repayment performance.

Xi3: Educational level: education is among the primary tool that has transformed the world order as it stands today. Education improves once performance quality. Higher educational levels enable members to comprehend more complex information, keep business records, conduct basic cash flow analysis and generally speaking, make the right business decisions. So, it is important to test whether education level difference between and among members have brought any change in their loan repayment performances. This is a continuous variable but arranged as categorical variable, taking 1 if the members have no formal education, 2 where the members attended 1-4 class, 3 if borrowers attended 5-8 class, 4 if 9-12 class and 5 if the members diploma and above. This effect is expected to have a positive impact in loan repayment performance, because higher educational levels enable members to comprehend more complex information, keep business records, conduct basic cash flow analysis, and make the right business decision. Educated have ability to read and write and in the process, improved dexterity in the occupation, which concomitantly improved profit and the capacity. Increasing in education level of members has positive effect on loan repaying their loan better and easy lower education. Therefore, members who accomplished higher education are repaying their loan better and easy to provide training than those attained lower education.

Xi4=Occupational members in loan repayment performance: Occupational members is nominal variables. It can measure in Agriculture 1, petty trading=2, Employment =3, retired=4. Occupation can significantly impact an individual's financial literacy and loan repayment behavior. Employees are often considered more likely to repay loans on time compared to farmers, traders, and retirees.

Xi5: Marital status: this variable evaluates whether single, married or divorced borrowers showed any difference in repayment performances. It's generally believed that marriage brings stability to once life and equips how to act towards something responsibly. It rearranged taking 1 if the members are single, 2 if Married and 3 if the members are divorced and 4 if widowed. The borrowers who engaged in marriage can have positive significant to repayment performance.

Xi6=Family size: this variable is all about the number of dependents on the members. Hence, using this variable comparison is made between members having small family size with those

having large family numbers against their loan repayment performances. It is a continuous variable (measured in number of members of farm family but arranged as 1 for 1-2, 2 for 3-4, 3 for 5-6, 4 for 7-8 and 5 for above 8) it is assumed that the larger the family size the negative influence on loan repayment performance

Xi7=Monthly income It is a continuous variable that (measured in birr. But arranged as 1 for .0-3000, 2 for 3001-5000, 3 for 5001-7000, 4 for 7001-9000, 5 for above 9000) references the members with higher incomes have more financial stability and resources to meet their repayment obligations on time. The higher amounts of income have a positive significance on loan repayment performance.

Financial literacy related variable

Xi8.=budgeting literacy It can measure ordinary Likert scales items. Budgeting literacy improves the ability of respondents to pay loan on time without default since they are able to do forecasting and internal audits to detect mistakes in their financial records, allows them to promptly implement any required corrections. Budgeting literacy ability is a positive impact on loan repayment performance.

Xi9 bookkeeping literacy:- It can measure ordinary Likert scales. Bookkeeping literacy is the ability to keep accurate financial records and accounts. This skill is vital for loan repayment as it enables borrowers to track their income and expenses, ensuring that they have enough funds to repay their loans. Bookkeeping literacy ability has a positive impact on loan repayment performance.

Xi10. Debt management literacy;- It can measure ordinary Likert scales items. This indicates the ability to assess the interest rates charged on various loans, be aware of the results of default in paying loans and also able to discuss with financial providers in case he/she undergoes financial difficulty and/or increasing debt management literacy has a positive effect on loan repayment performance.

Xi11. Saving literacy: It can measure ordinary Likert scales items. Understand the ability to save money effectively and the importance of saving for future needs or emergencies. Therefore, the Saving literacy has a positive effect on loan repayment performance.

Table 3.2 Code of variable, deceptions, and measurement type

Code	Deceptions	Measurement	type	Sign
LRP	Loan repayment	Timely paid=1 ,otherwise =0	Dummy	
GEND	Gender	Male =1 .female =2	Dummy	+
AG	Age of respondents	Year	Continue	+
EDUL	Educational level	Illiterate, =1, 1-4 class,=2 5-8 class = 3 ,9-12 class =4 Diploma and above=5	Categories	+
OCP	Occupation members	Agriculture= 1, Petty trading=2 Employment =3, retied=4	Nominal:	+
MS	Marital Status	Single, =1, Married =2. Divorced= 3, Widowed=4	Nominal	+
MI	Monthly Income	For 0-3000 =1 ,for 3001-5000 =2 For, 5001-7000.=3 , For 7001-9000.=4 ,Above 9000 5	Continue	+
FS	Family Size	For 1 to2 =1, For 3 to 4 =2, For 5 to 6 =3 ,For 7 to 8 =4	Number	-
BL	Budgeting literacy	5. Likert scales items	Ordinal	+
BKL	Bookkeeping literacy	5. Likert scales items	Ordinal	+
DML	Debt management literacy	5. Likert scales items	Ordinal	+
SVL	Saving literacy	4.Likert scales items	Ordinal	+

Source; **survey data 2024**

3.12. Reliability of Data

The reliability of the findings was replicated if the process or instrument was used in another investigation (Roswell, 2013)The tool was tested for internal constancy and reliability. To ensure reality about the study 5 interviews.The validity of findings or data is defined as the occurrence or precision of the findings. Furthermore, the study was utilized to improve the quality of the questions as well as the formats scales arrangements scales, and so increasing the data validity.

Various methods were used to ensure the quality of the qualitative good relation with respondents, explaining the research objectives to members respondents in a nice manner and gaining trust, and honoring the cultural values of participants were only a few of the procedures used to improve the trustworthiness and the data was dependable triangulating data acquired through several methods of data collecting also used. The questionnaire was first translated into Afan Oromo to reduce language barriers and gather clear evidence on the impact of financial literacy on loan repayment. The validity of the questionnaire was checked in SPSS software and Crobach's alpha value highly confirmed the consistency of the questions. Following that the translation was carefully examined to avoid any ambiguity.

3.13. Ethical Considerations

In the study of this undertaking, an appropriate acknowledgment and citation were made for any concepts or ideas taken from the literature. Moreover, a formal letter of support was written to the Duroshalla SACCOs Union concerned body from Hawassa University College of Business and Economics. An explanation was given to the SACCOs about the purpose of the research. Verbal consent from the respondents was requested before conducting the interview. The confidentiality of individual members' SACCO information was ensured by the use of unique identifiers. Participation in the study was entirely voluntary and they were free to withdraw from the study at any time.

CHAPTER FOUR

RESULTS AND DISCUSSION

INTRODUCTION

This chapter reports the results of the study conducted to identify the effect of financial literacy on loan repayment performance. The data collected from the survey questionnaire were carefully coded, checked for consistency, and prepared for analysis and interpretation. The analysis was performed using descriptive statistics and with the help of the state. Therefore, this chapter presents an analysis of the results and discussion to achieve research objectives based on data obtained from the questionnaire respondents and interviews made with the three experts of Duroshalla SACCOS Union. Even though both have simple and fairly well-designed representations.

The first section was descriptive statistics and their corresponding interpretation. The second part presents the results obtained through econometric analysis to identify the most important effect of financial literacy on loan repayment. This analysis was conducted using SPSS version 26.0. To measure the relative importance of significant explanatory variables on loan repayment the researchers divided them into demographic characteristics related, such as gender, age, educational level, marital status, and family size and socio-economic related such as occupation, and monthly income, and the second are financial literacy related such as budget literacy, bookkeeping literacy, debt management literacy, and saving literacy. These variables were selected based on both theoretical and empirical justification

4.1 Background Information of Respondents

Questionnaire response rate and interview success rate: The questionnaire was distributed to SACCOS members selected using simple random sampling. Accordingly, there are two groups of members: those who timely repay their loans (116 members) and those who do not timely repay their loans (64 members). Out of the one hundred eighty questionnaires physically distributed to the target population, one hundred eighty usable responses were collected. This represented a response rate of 100 percent and implies that there were no unreturned questionnaires. Out of the five projected interviews, three of them were successfully conducted, giving a success rate of 60 percent. The remaining interviews were unsuccessful due to time constraints

faced by the targeted interviewees. Despite this, the target population was fairly represented considering that the managers who are relevant to the study were interviewed.

Table 4. 1. Questionnaire and interview success rate.

	Target respondents	Actual respondents	Success rate
Questionnaire	180	180	100
Interview	5	3	66.67%

Source: Survey Data 2024

To support this idea interview was held with an expert of the Duroshalla SACCOs union:

“They reported that frankly speaking loans given to members were not being fully repaid on time. which was delayed for various reasons. These reasons include interference by other part, , carelessness, leaving the area and returning late, delays due to security problems, borrowers using the loans for other purposes, and suffering losses. Our annual report also indicates that the debt is not being repaid on time each year” (April, 2024)”.

4.2. Descriptive Analysis

The descriptive statistics for dependent and independent variables are presented below. The dependent variable of the study is loan repayment performance and is measured by loan repayment performance and non-repayment performance. Depend on different literature of the effect of financial literacy on loan repayment performance the researcher summarized variables in to two categorie. The firist, demographic characteristics and socio-economic factors, including gender, age, educational level, marital status, occupation, family size, and the second are financial literacy related factors, including budget literacy, bookkeeping literacy, debt management literacy, and saving literacy. Detailed descriptions and discussions were presented for every individual related under all these groups. In presenting the descriptive statistics analysis of the variable, in addition to percentages and frequencies, the chi-square test of independence allows the researcher to determine whether variables are independent of each other or if there is a pattern of dependence between them. If there is dependence, the researcher can claim that the tow variables have a statistical relationship with each other. Therefore, Pearson Chi-Square was used in this study to determine the relationship between the variables.

4.2.1. Demographic characteristics and Socio-economic related

To begin with, the members of the borrower's specific factors are the most important influences related to the personal characteristics of the members, and it is important in determining the repayment and non-repayment of loans based on the personal and economic behavior of the members. In this research, gender, age, marital status, education level, occupation, monthly income, and family size were identified to evaluate their contribution to the loan repayment performances of the members.

Gender: In terms of gender out of 180 respondents 97 (53.9%), were female, and 83 (46.1%) were male. Out of 46.1 % of male respondents, 74.4 % were timely pay, whereas, 25.3% were not timely pay. Whereas out of 53.9% of female respondents, 55.67% were timely pay, and 44.3% were not timely pay. This affirmed that female borrowers have low performance on loan repayment. This result indicates female borrowers' low performance on loan repayment. The chi-square result also shows that the association between gender and loan repayment is significant ($\chi^2=7.068$ at $P=0.008$) in Table 4.2. This indicates that male members had a strong positive relation to loan repayment performance

Table 4.2. gender, age, and educational level of members and loan repayment

Variables	Categories	Loan repayment performance				Total		Chi-Sq.
		Not timely paid		timely paid		N	%	
		N	%	N	%			
Gender	Male	21	25.3%	62	74.7%	83	46.1%	X ² = 7.068 P =.008
	Female	43	44.3%	54	55.67%	97	53.9%	
Total		64	35.6%	116	64.4%	180	100%	
Age of respondent	20-25	25	62.5%	15	37.5%	40	22.2%	X ² =18.206 P =.001
	26-30	12	33.3%	16	57.14%	28	15.56%	
	31-40	11	32.4%	23	67.6%	34	18.9%	
	41-45	9	26.47%	25	37.53%	34	18.9%	
	abve 45	15	34.09%	29	80.6%	44	24.44%	
Total		64	35.6%	116	64.4	180	100%	
Education level	Illiterate	13	61.9%	8	38.1%	21	11.7%	X ² =18.206 a P=001
	1-4 class	34	44.16%	43	55.84%	77	42.8%	
	5-8class	5	33.33%	10	66.67%	15	8.3%	

	9-12 class	3	14.29%	18	85.71%	21	11.7%	
	deploma and above	9	9.57%	37	80.43%	46	25.6%	
Total		64	35.56%	116	64.11%	180	100%	

Source: survey data 2024

Age: Regarding to age out of 40 (20-25), of respondent 62.5% were not timely pay their loan and 37.5 % of respondent timely pay their loan .Out 28 (26-30) of respondent 33.3% were not timely pay and 57.14 % timely pay their loan out of 34 (31-35) of respondent 32.4% were not timely pay their loan and 67.6 %of respondents timely pay their loan .Simlary,out 34(36-40)of respondent 26.47% were not timely pay their loan and 37.53% timely pay their loan, Finally, above 45 year of respondent 34.09% were not timely pay their loan and 80.6 % timely pay their loan .The survey revealed that as the age of members increases, the probability of non-repayment increas and the repayment performance increases. The chi-square result also shows that of strong and significant association between age of respondent and dependent variable at 1% significance level ($\chi^2=18.206$,at $P=008$).

Education: The survey on the educational characteristics of the members shows that 21 (11.7%) of the members didn't attend any formal education or are illiterate. Some 77/42.8% of members attended lower levels 1-4 classes. 15 (8.3%) of respondents attended formal education 5-8 classes. 21/11.7% of respondents attended formal secondary education or 9-12 classes. 46 (25.6%) of the members attended a diploma and above, or college or university, respectively.

As shown in Table 4.2, showed that among of 21 (11.7%) of the members didn't attend class member borrowers, 61.9% of them were not repaying their loan timely, whereas the remaining 39.1% were repaying their loan timely successfully. Among members whose educational level is at the primary level or 1-4 class, the majority of them (55.84%) repaid their loan duly, while 44.16% of them did not repay their loan accordingly. Of members who attended formal education 5-8 class, 66.67% of them were repaying their loan timely, while 33.33% were not repaying their loan timely. Also, members who attended formal education 9-12 classes, 85.71% of them were repaying their loan timely, while 14.29% were not repaying their loan timely. Finally, out of the 46 (25.6%) members who attended college and above, 37% of them were repaying their loan timely, and the remaining 19.57% were not repaying their loan timely. This

result indicates that as the education level increases, the probability of loan repayment increases and vice versa. This finding similar to finding study by (Jote, 2018) found that individuals with higher levels of education were more likely to make timely loan payments and had lower default rates compared to those with lower levels of education but it contradicts with the result of Yacob (2014) that clients with lower education have fewer financial options and thus they would improve on their loan repayment performance in order not to lose their only formal source of credit. The chi-square result also shows the presence of strong and significant association between educational level and dependent variable at 1% significance level ($\chi^2=18.206$, at $P=0.001$).

Table 4.3. Family size, Marital status of members with loan repayment

Variables	Categories	Loan repayment performance						Chi-square $\chi^2=19.729$ $P=0.001$
		loan timely not repaid		loan timely repaid				
Family size	1-2	6	33.33%	12	66.67%	18	10.0%	
	3-4	22	27.16%	59	72.84%	81	45.0%	
	5-6	10	27.03%	27	72.97%	37	20.6%	
	7-8	13	46.43%	15	53.57%	28	15.6%	
	above 8	13	81.13%	3	18.75%	16	8.9%	
Total		64	35.56%	116	64.44%	180	100%	
Marital status	Single	26	48.18%	28	51.82%	54	30%	$\chi^2=19.729$ a $P=0.001$
	Married	34	30.63%	77	69.37%	111	61.7%	
	Divorce	3	25%	9	75%	12	6.67%	
	Widowed	1	33.3%	2	66.7%	3	1.67%	
Total		64	36%	116	64%	180	100%	

Source: survey data 2024

Family size: In this study, family size is used to express the number of dependents on the borrower. Accordingly, the effect of family size on the repayment performance of borrower members is assessed as follows: out of the total sample of borrowers, 18 of them belong to a family size of 1-2, and the repayment performance of these households is 33.33% of respondents not timely repay and 66.67% of respondents were timely repay. The other 45% of members have family size, out of which 27.16% were not timely repay and the remaining 72.84% of respondent timely repay their loan. Additionally, there are respondents with a family size of 5-6, with 27.03% not timely repay and 72.97% were timely repay. There are also 28 members with a

family size of 46.43% not timely repay and 53.57% timely repay. Lastly, 37 members responded with having families, of which 81.13% do not timely repay their loan and 18.75% timely repay. The statistical survey from the above table shows that as family size increases, the likelihood of not being timely paid loan increases, and vice versa. this study similar to Research conducted by Smith et al. (2018) found that individuals from larger families tend to have lower loan repayment rates compared to those from smaller families. The regression result of chi-square shows the presence of a strong and significant relationship between family size level and dependent variable at 5% significance level ($\chi^2=19.729$ $P=0.01$). The results of chi-square revealed that an increase or decrease in family size has a strong and significant relationship with the dependent variable.

Marital status of members: Regarding the marital status of the members, out of the 180 sample members, as showed in 4.3. 30%, 61.7%, 6.67%, and 1.67% of respondents were single, married, divorced, and widowed, respectively. The single respondents accounted for 48.18% and 51.82% of non-repaid and paid loans, respectively. Married respondents accounted for 48.18% and 69.37% of not-timely paid and timely paid loans, respectively. Among divorced respondents, 25% were not-timely paid and 75% were timely paid. For widowed respondents, the percentages were 33.3% and 66.7%, respectively. This indicates that compared to single members, married and divorced borrowers were better at paying their loans. The reason may be related to the social responsibility level of married, divorced, and widowed members. this study is similar to Gerba, N. S. (2017) finding married and divorced borrowers are paying than single.

Monthly income: about Economic characteristics of as depicted in table 4.2, 27.78%, 25.56%, 12.8%, 28.9%, and 5.0% of respondents have a monthly income ranging between birr 0-3000, 3001-5000, 5001-7000, 7001-9000, and above 9000 respectively. From the range 0– 3000 monthly income of respondents, 64% do not pay timely and 36% pay timely. From the range 3001-5000 of respondents' monthly income, 32.61% do not pay timely and the remaining 67.39% pay timely. In the other range, from 5001-7000 respondents, 52.17% do not pay timely and the remaining 47.83% pay timely. From 7001-9000 respondents, 26.92% do not pay timely and 73.08% pay timely. In the last range, for monthly income above 9000, 33.33% do not pay their loan timely and 66.67% pay their loan timely. This indicates that compared to lower monthly income, higher monthly income levels have better loan repayment performance, as borrowers with higher incomes have more financial stability and resources to meet their

repayment obligations on time. This result is similar to a study by the National Endowment for Financial Education, individuals with higher incomes tend to have higher levels of financial literacy and are more likely to make informed decisions about borrowing and managing (NEFE, 2019).

Table 4.4. Monthly Income and Occupation With Loan Repayment

Variables	Categories	Loan repayment peromence						Chi square
		loan timly not repaid		loan timly repaid				
Monthly income	0-3000	32	64%	18	36%	50	27.78%	X ² =5.802 a P=.214
	3001-5000	15	32.61%	31	67.39%	46	25.56%	
	5001-7000	12	52.17%	11	47.83%	23	12.8%	
	7001-9000	14	26.92%	38	73.08%	52	28.9%	
	above 9000	3	33.33%	6	66.67%	9	5.0%	
Total		76	42.22%	104	57.78%	180	100%	X ² =12.79 5a P=0.005
Occupation	Small trader,	24	51.06%	23	48.94%	47	26.1%	
	Farmer,	31	38.03%	44	61.97%	71	39.4%	
	Employment	12	42.31%	30	57.69%	52	28.9	
	Retired	1	10%	9	90%	10	5.6%	
Total		68	37.8%	111	62.2%	180	100%	

Source: survey data 2024

Occupation of members: Concerning the occupation of the members, out of the 180 sample members, as shown on table 4.6, 26%, 39.4%, 28.9% and 5.6 respondents were small trader, farmer, and empeloyment and retired respectively. The trader respondents were accounts for non-repayment and repayment 51.06% and 48.94%. farmer respondents were 38.03 % and 61.97% and not-timley paid and timple paid respectively. Among of employment respondents, 42.31% not-timley paid, and 57.69% timple paid ,for retired 1% and 90%) . This indicated that compared to trade members borrowers, retird, employment, and farmer members were better at paying their loans. The chi-square result also shows the presence of a strong and significant association between occupation and dependent variable at 1% significance level X²=19.729a, P=001

4.2.2 . Financial literacy related variable

To assess the levels of effect of financial literacy on loan repayment namely budget literacy, bookkeeping literacy, debt management literacy, and saving literacy in Duroshalla SACCOs union west Arsi zone respondents were requested to give their levels of agreement to statements concerning the four independent variables in five points Likert- scales range from 1 being strong disagree to 5 strong agree. Then their responses were analyzed with descriptive analysis with descriptive statistics of mean score, standard deviation, and percentage. Accordingly best (1977) a five point, liker scale response ranges from 1 strongly disagree,2 disagree,3 neutral, 4 is agree, and 5 strongly agree. Then the mean from [1-1.8] is the lowest, from[1.81-3.1] is low,[3.12-3.41]is moderate from/3.42-4.21] is high, and from[4.22-5] is conceded very high. Hence the researcher used this rule of thumb to interpret the response and the details of the results is presented as follows.

Budgeting Literacy: Budgeting literacy is allows individuals to better understand their financial obligations,create realisti budgets, and prioritize loan repayments. By having a clear understanding of their income and expenses, individuals can allocate funds towards loan repayments promptly, reducing the risk of default.This sub-section presents the description of independent variables in budget literacy based on items in the study area. respondent then relates their level of agreement for each item. Then data is summarized and interpreted in Table 4.5.

Table 4.5.To examine the effect of budget literacy levels on loan repayment performance

Issue related to the effect of of budget literacy on loan repayment performance	SD	DD	N	A	SA	Mean	STD
I have been able to prepare budget	6.7	46.1	9.4	7.8	30.0	3.08	1.418
I have been able to control budget	8.9	43.9	13.3	5.6	28.3	3.01	1.412
I have had prudence in spending	5.6	48.9	15.6	3.9	26.1	2.96	1.343
I have been able to do forecasting	2.7	19.4	12.2	49.4	16.7	3.59	1.051
Knowing to conducting internal audit	8.9	45.0	12.8	3.9	29.4	3.0	1.426
Aggregate mean						3.15	1.214

Source: survey data 2024

For interpretation the researcher marge SD~DA, SA ~A, Neutral

As shown in the aggregate mean of all items of budget literacy in the study area, it indicates 3.15 with a standard deviation of 1.214, which lies between the mean range [2.62-3.41]. it fails in the moderate and mean sections. In item 1 of table 4.5 the respondents asked about able to prepare

budget, 52.8, 9.4 and 37.8 respondents were said disagree, neutral and agree respectively. this affirmed that they have able to prepare budget.

Regarding item 2,the the same table above respondents asked about able to control budget, 52.8 ,9.13.3 and 33.9 respondents were said disagree, neutral and agree respectively.This indicate that lack of able to control budget.

Concerning item 3 , the same table respondents asked about prudence in spending, 53.6,15.6 and 30 respondents were said disagree, neutral and agree respectively. This indicates a lack of careful and sensible spending habits among SACCO members in this study area.

For item 4 the same table above respondents asked able to do forecasting budget, 21.7,12.2and 66.1of respondents were response disagree, neutral and agree respectively.This suggests that SACCO members may have some proficiency in this area compared to others able to do forecasting busget. Also, for item 5 in the same table 4.5 the respondents asked about knowing to conducting internal audit 53.9,12.8 and 33.3of respondents were response disagree,neutral and agree respectively. This indicate there is lack of knowing to conducting internal audit. To support this idea interview held with an expert of the duroshalla saccos union:

“He reported that frankly speaking show that there is no loan delay due to a lack of budget preparation,control and forcasting” (April, 2024).

Bookkeeping literacy :Bookkeeping literacy is the ability to keep accurate financial records and accounts. This skill is vital for loan repayment as it enables members to track their income and expenses, ensuring that they have enough funds to repay their loans. This Sub-section presents the description of independent variables in bookkeeping literacy based on five items in the study area. respondent then relates their level of agreement for each item. Then data is summarized and interpreted in table 4.6.

Table 4.6. To analyze the effect of bookkeeping literacy on loan repayment of performance

Issue related to the effect of effect of bookkeeping literacy on loan repayment performance	SD	DA	N	A	SA	Mea	SD
knowledge on cash flow management	6.1	40.0	19.4	23.9	10.6	2.93	1.144
I have been able to prepare financial statements	8.9	45.61	10.6	18.9	16.1	3.21	1.098
I have been able to employ double entry concept	6.7	37.4	8.9	32.6	14.4	3.01	1.244
Having an understanding of how to manage debtors and creditors.	5.6	17.2	37.8	33.3	6.1	3.17	974
I have been able to get accurate financial information	18.9	18.3	38.3	17.8	6.7	2.75	1.152
Aggregate mean						3.014	1.1224

Source: survey data 2024

For interpretation the researcher marge SD~DA, SA ~A, Neutral

Shown in the aggregate mean of all items of bookkeeping literacy in the study area, it indicates that the mean is 3.014 with a standard deviation of 1.1224. This falls within the range of men's scores [2.62-3.41]. However, it fails in the moderate and mean sections. In item 1 in Table 4.6, the respondents were asked about their knowledge of cash flow management. 46.1%, 19.4%, and 33.6% of the respondents disagreed, were neutral, and agreed, respectively. This indicates that they lack knowledge of cash flow management in this area.

Regarding item 2, in the same table above, the respondents were asked about their ability to prepare financial statements. 54.5%, 10%, and 33% of the respondents disagreed, were neutral, and agreed, respectively. This affirms that they haven't been able to prepare financial statements.

Concerning item 3, in the same table, the respondents were asked about their ability to employ the double entry concept. 44.1%, 8.9%, and 48.1% of the respondents disagreed, were neutral, and agreed, respectively. This is a positive sign indicating a good ability to employ the double entry concept.

For item 4 of the same table, the respondents were asked about their understanding of how to manage debtors and creditors. 22.8%, 37.8%, and 39.4% of respondents disagreed, were neutral, and agreed, respectively. This suggests that they have a good level of understanding of how to manage debtors and creditors.

Also, for item 5 in the same table, the respondents were asked about their ability to get accurate financial information. 4.6% of respondents disagreed, 37.2% were neutral, and 38.3% agreed. Therefore, this confirms that they have a good ability to get accurate financial information in this area. To support this idea, an interview was held with an expert from the Duroshalla Saccos union.

“As they stated freely speaking inadequate record-keeping in savings and credit cooperative members, financial statements are not closed every month. Additionally, expenses and income are not legally recorded on documents and ledgers. Furthermore, financial statements are not timely reported for the required entity and union” (April 2024)

Debt management literacy: Debt management literacy refers to the knowledge and skills that individuals possess in effectively managing debt understanding loan terms, interest rates, repayment schedules, and making informed decisions about borrowing and repaying loans. This subsection presents the description of independent variables in debt management literacy based on five items in the study area. Respondents then relate their level of agreement for each item.

Table 4.7. To evaluate the effect of management literacy on loan repayment performance

Issue related to the effect of debt management literacy on loan repayment performance	SD	DA	N	A	SA	Mean	STD
I have Knowledge of loans and other credit offers	3.3	17.	45.0	21.7	12.2	3.22	987
I have Knowledge about interest rate methods and calculation	4.4	16.	44.4	22.8	11.7	3.21	1.001
I have had Knowledge on loan repayment and the effects of default	6.7	46.1	9.4	7.8	30.0	3.08	1.418
I have been able to discuss with financial providers furthering business financial crisis	8.9	43.9	13.3	5.6	28.3	3.01	1.412
Having the Knowledge of insurance serves in SACCOs	5.6	48.9	15.6	3.9	26.1	2.96	1.343
Aggregate mean						3.096	1.232

Source: survey data 2024

For interpretation the researcher marge SD~DA, SA ~A, Neutral

As shown in the aggregate mean of all items of deb management literacy in the study area, it indicates that the mean is **3.096** with a standard deviation of **1.214**. This falls between the range of men [2.62-3.41], which is considered moderate. As a result, regarding item 1 table 4.7, the respondents asked about knowledge of loans and other credit offers 20.3,45 and 39.9 respondents confirmed disagree, neutral, and agree respectively. Therefore, this indicates that they have a good knowledge in this area.

In item 2 of the same table, the respondents asked about interest rate methods and calculation, 20.4,44.4, and 34.5 respondents were said to disagree, neutral, and agree respectively. This affirmed that they know loan interest rate methods and calculations.

In item 3 of the same table, the respondents asked about having Knowledge of loan repayment and the effects of default 52.5,7.8 and 33.08 respondents said disagree, neutral, and agree respectively. This indicates there are lack of knowledge on loan repayment and the effects of default at the study area.

In item 4 of the same table, the respondents were asked about understanding credit reports and credit scores. 15.6, 48.9, and 35.5 respondents disagreed, were neutral, and agreed respectively. This suggests that the respondents have a fair understanding of credit reports and credit scores.

Regarding item 5 of the same table, the respondents were asked about their knowledge of insurance services in SACCOs. 54.5% disagreed, 15.5% were neutral, and 30% agreed. Therefore, this affirms that there is a lack of knowledge of insurance services in SACCOs. To support this idea, an interview was held with an expert from the Duroshalla SACCOs union:

"They said that members' inability to estimate the loan and interest, misunderstanding of payment, misunderstanding of knowledge of insurance services in SACCOs because there is false reporting on life insurance before accidents occur by members." (April, 2024).

Saving literacy: Saving literacy refers to the knowledge and skills individuals possess in effectively managing their savings. It involves the key component of financial literacy and plays a critical role in achieving financial independence, securing one's future, avoiding debt, building wealth over time, reducing financial stress, structure a safety net for emergencies, and working towards financial stability and well-being. This subsection presents the description of independent variables in saving literacy based on five items in the study area. Respondents then relate their level of agreement for each item. Then data is summarized and interpreted in Table 4.8

Table 4.8. To investigate the effect of bookkeeping literacy skills on loan repayment of performance

Issue related to the effect of saving literacy on loan repayment performance	SD	DD	N	A	SA	Mean	STD
I set aside a certain amount of money for saving every time	5.0	17.8	28.9	30.6	17	3.38	1.120
Understand fixed savings accounts with attractive interest rates	8.9	41.7	25.6	19.4	4.4	2.69	1.026
Having Knowledge of different saving options	11.7	28.3	33.9	22.2	3.9	2.78	1.043
Ability to create and stick to a savings plan	7.8	36.1	23.9	18.9	13.3	2.94	1.183
Aggregate mean						2.95	1.155

Source: survey data 2024

For interpretation the researcher marks SD ~DA, SA~A, Neutral

As shown in Table 4.8, the aggregate mean of all items of saving literacy in the study area is 2.95 with a standard deviation of 1.155, which falls within the range of men [2.62-3.41]. It falls into the moderate category and fails in the mean section.

In item 1 in Table 4.8, the respondents were asked about setting aside a certain amount of money for saving every time. 22.8, 28.9, and 47 respondents disagreed, were neutral, and agreed, respectively. This affirms that they have a good habit of setting aside a certain amount of money for saving every time.

Regarding item 2 of the same table 4.8, the respondents were asked about having knowledge of fixed savings accounts with attractive interest rates. 50.6, 25.6, and 23.8 respondents disagreed, were neutral, and agreed, respectively. This affirms that they don't have knowledge about fixed savings accounts with attractive interest rates.

Also, in item 3 in the same table, the respondents were asked about their knowledge of different saving options. 40, 33.9 and 26.1 respondents disagreed, were neutral, and agreed, respectively. This shows that they lack knowledge about different saving options.

In item 4 Table 4.8, the respondents were asked about their ability to create and stick to a savings plan 43.9%, 23.9%, and 32.2% respectively. This indicates a lack of ability to create and stick to a savings plan. To support this idea, an interview was held with an expert from the Duroshalla SACCOs union.

"They reported that members lack the cultural savings habit necessary to ensure a strong financial system. They believe that saving is only done to obtain loans, resulting in an imbalance between their required loan and their savings. They do not utilize various saving options such as compulsory saving, voluntary saving, time deposit, non-interest bearing saving, child saving, social institution saving, commitment saving, emergency or hardship saving." (April, 2024).

4.3. Pearson correlation matrix

Pearson correlation matrix is the strength and direction of the linear relationship between two variables ranging from -1 (perfect negative correlation) to 1 (perfect positive correlation)(Hair, 2010). From this study, there is a relationship between the dependent variable (loan repayment (LRP)) and independent variables such as The coefficient correlation of 1.00 indicates that each variable is perfectly correlated with the other. Loan repayment performance (LRP) has significant positive correlations with Age of the respondents (AGE), ($r=0.286$, $p<0.001$) educational level (EDU) ($r=0.300$, $p<0.001$) Occupation (OCP), ($r=0.239$, $p=0.001$), marital status of the borrowers (MS ($r=0.152$, $p=0.042$), monthly income (MIC) ($r=0.152$, $p=0.042$) budget literacy (BL) ,debt management literacy (DML) saving literacy (SVL)Age has significant positive correlation with OCOP ($r=0.148$, $p=0.047$), indicating that older individuals have more on-campus opportunities. Marital status(MS) and (monthly income) (MINC) are highly correlated ($r=1.000$, $p<0.001$). Loan repayment performance (LRP) has significant negative correlations with gender of the respondent(GEND)($r=0.198$, $p=0.008$), family size (FS)($r= 0.261$, $p<0.001$) However, and bookkeeping literacy(BKL) have no relationship with loan repayment (LRP).(See on Appendix)

4.4 Econometric model tests, results, and analysis

4.4.1. Assumptions of Binary Logistic Regression

Before a model is relied on to draw conclusions or predict future outcomes, we should check, as far as possible, that the models we have assumed are correctly specified. That is, the data do not conflict with assumptions made by the model. For binary outcomes, the most popular modeling approach is logistic regression. Hosmer and Lemeshow's (1980) goodness of fit test is commonly used for this purpose. The goodness of fit test by Hosmer and Lemeshow (1998) is conducted by dividing the sample based on their predicted probabilities. In logistic regression, it is important to have meaningful coding for the variables. If the coding is not meaningful, interpreting the logistic coefficients becomes challenging. In binomial logistic regression, the convention is to code the class of interest as 1 and the other class as 0. There are no significant outliers in our Data series. There is no important multicollinearity (the independent variables are not strongly correlated with each other).

4.4.2 Multicollinearity test

Before running a model, the logit, explanatory variables can be checked for multicollinearity (Verbeek, 2008). When the independent variables are correlated, it is regarded as a problem in the model and this problem is called multicollinearity. Since multicollinearity is a problem when the explanatory variables in the logit model are highly correlated, it provides redundant information about the response. Therefore, to check the existence of multicollinearity among the 11 independent variables, correlation coefficients among the variables were calculated and presented in a matrix as shown in the following table 4.9.

Table 4.9. Multi collinearity Assumption

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Gender of the members GEN	.946	1.058
	Age of the members (AG)	.869	1.150
	Educational level (EDU)	.915	1.092
	Occupation (OCOP)	.912	1.096
	Marital stuts (MS)	.852	1.173
	Family size (FS)	.903	1.108
	Monthly income (MINC)	.908	1.102
	Budget literacy (BL)	.782	1.278
	Book-keeping literacy (BKL)	.942	1.061
	Debt management literacy(DML)	.965	1.037
	Saving literacy (SVL)	.916	1.091
a. Dependent Variable: LR.		9009	1.1133

Source; Model output, 2024

Variation Inflation. Factors are significantly less than 10% there is no Multicollinearity problem and also tolerance is greater than 1% which shows the model is good feet.

4.4.3. The Goodness-of-Fit

As presented in the table below 4.10, the chi-square value for the Hosmer-Lemeshaw (1980) test is 10.796 with a significant level of **0.214**. This value is larger than 0.05, therefore showing support for the model. Hence, we reject the null and conclude that the model fits. Here poor fit is indicated by a significant value of less than 0.05. Therefore, to support a model the value must be greater than 0.05 (Julie, P, 2007).

Table 4.10. Table Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	10.796	8	.214

Source: Model output, 2024

4.3.4 Omnibus tests of model coefficients

Gives an overall indication of how well the model performs, over and above the result obtained for block 0, with none of the predictors entering into the model. This is referred to as a ‘goodness of fit’ test. For this set of results, a highly significant value is necessary significant value less than 0.05 (Julie, 2007). It presented the following table

Table 4.11.Omnibus Tests of Model Coefficients

Omnibus Tests of Model Coefficients				
		Chi-square	df	Sig.
Step 1	Step	101.682	11	.000
	Block	101.682	11	.000
	Model	101.682	11	.000

Source: Model output, 2024

From Table4. 11 to test the measure of goodness of fit in binary logistic regression analysis, the chi-square was computed and showed that the model was significant at a one percent significance level. Consequently, the null hypothesis stating the coefficients of independent variables to be equal to zero was rejected and the alternative hypothesis of non-zero slope was accepted. The value in the sig. column represents the probability of obtaining the chi-square statistic under the assumption that the null hypothesis is true. This indicates the probability of achieving the chi-square statistic (101.682) if there is no effect of the independent variables, taken together, on the dependent variable. This is the of course p-value, which is compared to a critical value such as .05 or .01 to determine if the overall model is statistically significant. In this case, the model is statistically significant because the p-value is below five percent.

4.4.5 Model Summary

Model summary: gives us another piece of information about the usefulness of the model. The Cox & Snell R Square and Nagelkerke R Square values indicate the amount of variation in the dependent variables explained by the model from a minimum value of zero to a maximum of approximately.

Table 4.12.Model summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	132.612a	.432	.593

Source: Model output, 2024

From above table 4.12 Cox & Snell R Square and Nagelkerke R Square are at 95 percent confidence level approximates 43.2% and 59.3% respectively showing the model's goodness of fit was good.

4.4.6. Binary Logistic Regression Results

The result of the binary logistic regression model on the effect of financial literacy on loan repayment performance of members is presented in Table 4.13 a total of 11 explanatory variables were incorporated in the model (often referred to as logistic regression). Out of these, 10 variables such as gender, age, education level, occupation members, family size, monthly income budget literacy, debt management literacy, and saving literacy significantly influence the probability of loan repayment at different significant levels.

Table 4.13. Binary logistic regression results

Variables in the Equation									
		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1	GEND	-1.311	.475	7.617	1	.006	.270	.106	.684
	Ag	.340	.167	4.167	1	.041	1.405	1.014	1.947
	EDU	.515	.186	7.691	1	.006	1.673	1.163	2.407
	OCP	.819	.274	8.940	1	.003	2.268	1.326	3.881
	MS	2.027	.459	19.490	1	.000	7.588	3.086	18.659
	MIC	.456	.196	5.380	1	.020	1.577	1.073	2.318
	FS	-.682	.214	10.186	1	.001	.506	.333	.769
	BL	.618	.225	7.511	1	.006	1.855	1.192	2.885
	BKL	-.620	.332	3.494	1	.062	.538	.281	1.031
	DML	.845	.352	5.776	1	.016	2.328	1.169	4.637
	SVL	1.029	.304	11.486	1	.001	2.798	1.543	5.073
	Constant		-9.497	2.300	17.056	1	.000	.000	
LR Chi2		101.682							
Prob > Chi2		0.000							
Pseudo R2		0.593							

Source: Model output, 2024

The binary-appropriate statistical model was determined by the characteristics of the variables that the researcher proposed to investigate the effect of each variable. In this study, the dependent variable has binary outcomes. A binary logistic regression model was used to estimate demographic characteristic, socio-, economic, and financial literacy-related factors on repayment performance. Before estimation, various common tests were carried out. The baseline model

without any predictor variables had an overall percentage of correct predictions at 64.4%. the Omnibus Tests of Model Coefficients: Chi-square = 101.682, df = 11, $p < 0.000$. The model explained between .43.2% (Cox & Snell R Square) and 59.3% (Nagelkerke R Square) of the variation in the dependent variable (loan repayment). The remaining 40.7% of the variance of the loan repayment was accounted for by other variables which were not considered in this study. The Hosmer and Lemeshow test was non significant ($p=0.214$), suggesting the model adequately fits the data. The full model correctly classified 85% of cases. The average VIF was 1.11 and the tolerance level is greater than 10%, which shows the model assumption has a good fit.

Gender of the members: With regard gender of the members, the regression result of the study showed that being female members with a regression coefficient of ($= -1.311$) and ($p\text{-value} = 0.006$) has negative and statistically significant at 1% level of significance because $p\text{-value} = 0.006 < 0.01$ and (Wald statistic $= 7.617$) is outside the lower (0.106) and upper limit (.684) at a 95% level of confidence. **Hence, H1 is accepted.** This result is similar to the finding by Deyganto, K. (2022) who has used a binary logistic regression model that indicated that female borrowers have a negative impact on loan repayment. But dissimilar by the finding by Ofbga (2018) who has used a binary logistic regression model that indicated that female borrowers have a positive impact on loan repayment. Therefore **Ha1 is rejected.** Similarly, the finding by (Deyganto, 2022) who used a binary logistic regression model indicated that female borrowers harmed loan repayment. (Bais, 2023) Women tend to have lower levels of financial literacy compared to men, which can influence their ability to manage money effectively, make informed financial decisions, and ultimately affect their loan repayment. However dissimilar to the findings (Ofbga, 2018) used a binary logistic regression model that indicated that female borrowers have a positive effect on loan repayment performance.

The age of the respondent with the coefficient of ($B=0.340$ and $P<0.041$), has a positive and significant effect on loan repayment performance at a 5% significance level because the $p\text{-value}$ is $0.041 < 0.05$. This suggests that, increases the age of members in one year, the probability of loan repayment increases, holding all other variables constant. The odds ratio for age is 1.405 indicate that for every one-unit increase in age, the odds of timely loan repayment increase by a unit of 1.405, In other words, older borrowers have 1.405 higher odds of repaying their loans on time compared to lower-age borrowers. **Hence Ha2 is accepted.** Because older members may have had more time to establish a stable income, build a credit history, and develop responsible

financial habits. This result is similar to the finding by (Deyganto, 2022) on the determinant of loan repayment through a binary logistic regression increase in age has a positive on loan repayment. and also the study conducted by KEGLO, K (2023) to analyze financial Literacy and Credit Repayment in MFI through binary logistic regression model indicated that the age of members has a positive effect on loan repayment ((Yahiaoui, (2023).)and (Johnson, 2019), (Federal Reserve Board, 2018), But this result is disimilay with findings by (Pasha & Negese, 2014)

Education has a positive and statistically significant effect on loan repayment performance. The coefficient of education is positive and statistically significant at the 1% significance ($B=0.515$ and $P<0.006$). The odds ratio values of 1.673 show that when other independent variables are constant, the loan repayment performance increases by 1.673 times as the number of members educated in SACCOS increases. **So Ha3 is accepted.** That means higher education levels of members have a greater chance of succeeding than those with lower education. Members with higher levels of education also possess better financial literacy skills, enabling them to manage their finances more effectively. This result is similar to a study by (Jote, 2018) which found that individuals with higher levels of education were more likely to make timely loan payments and had lower default rates compared to those with lower levels of education. According to (Woodyard, 2021) individuals with higher levels of education are more likely to have a better understanding of financial concepts and are more likely to engage in responsible financial behaviors, such as making timely loan repayments.

Concerning the occupation of members of regression result of the study showed that an increase in certain occupations of respondents with a regression coefficient ($B=0.819$, $P<0.003$) has a positive and significant effect on loan repayment performance at the 1% significant level. The odds ratio values of 2.268 indicate that Employee members have by 2.268 higher odds of repaying their loans on time compared to farmers, traders, and retirees. This is because employees typically have a more stable and predictable income, which can positively impact their ability to manage debt effectively. Farmers and traders, on the other hand, may face more fluctuating income streams and market uncertainties, which can make it challenging to consistently repay loans on time. Retirees, depending on their post-retirement financial planning

and sources of income, may also face challenges in loan repayment due to potential limitations on their income during retirement **Hence Ha4 is accepted.**

Regression shows the statistical significance of a positive relationship between marital status and loan repayment performance at the 1% significance level ($B = 2.027, p < 0.000$). The odds ratio values also indicate that with other independent variables held constant, the probability of loan repayment performance increases by 7.588 times when the number of married borrowers in SACCOS increases. **Therefore, Ha5 is accepted.** This study is similar to Gerba, N. S. (2017) finding married and divorced borrowers are paying more than single. This suggests that married members are often perceived as more responsible, reliable, and mature, which may contribute to their higher probability of repaying loans on time. Also similar to the findings of (KEGLO, 2023) through a binary logistic regression model, which indicated that the marriage of members has a positive impact on loan repayment when analyzing financial literacy and credit repayment in MFI. Married borrowers tend to have better repayment performance compared to single borrowers (Saparila, 2019)

Monthly income has a statistical significance of a positive relationship between the monthly income of members and loan repayment performance at a 5% significant level ($B = 456, p < 0.020$). The Odds ratio values show that when other independent variables are constant, the loan repayment performance increases by 1.577 times as the monthly income of members in SACCOS increases. **So Ha3 is accepted.** According to a study by Smith and Johnson (2019) found that individuals with lower monthly incomes are more likely to default on their loans, leading to negative consequences such as damaged credit scores and increased debt burden.

Family size has a negative and statistically significant effect on loan repayment performance. The coefficient of family size is negative and statistically significant at the 1% significance level ($B = -0.682, P < 0.01$) The odds ratio values show that when other independent variables are constant, the probability of loan repayment performance decreases by 0.506 times as the number of family size in SACCOs increases. **So Ha7 is accepted.** This means that members from larger families tend to have lower loan repayment rates compared to those from smaller families. Otherwise, members from larger families are less likely to repay their loans on time due to increased household expenses and the need for more income to support the family. For this

justification, research conducted by (Smith et al., 2018) and (Melese, 2019) shows that larger families tend to have lower loan repayment rates compared to smaller families.

From binary logistic regression results the researcher found that statically signified of positive relationship between budget literacy and loan repayment performance at a 1% significant level ($B= 0.618, p < 0.006$). The odds ratio of 1.855 indicates that when other independent variables are constant, the probability of timely loan repayment increases by 1.855 times as the one-unit budgeting literacy increases. Budgeting literacy can help the ability of members to pay loans on time without default since they can do forecasting and internal audits to identify errors in their books of account hence enabling them to make necessary changes in good time. **Therefore, Ha8 is accepted** .These results are similar to those of Ongesa et al. (2014), Gaudence et al. (2018), J (Jemal, 2019), Case et al. (2022), and (Henson, 2023)), through USD multiple regression effect of financial literacy on loan repayment performance (KEGLO, 2023)) through binary logistic regression model indicated that budgeting literacy has a positive impact.

Also, the study revealed a statistically significant positive relationship between debt management literacy and loan repayment performance at a 5% significance level ($B= 0.845, p < 0.016$). The odds ratio of 2.328 indicates that, for every one-unit increase in debt management literacy, the probability of timely loan repayment increases by a factor of 2.328. **Therefore, Ha10 is accepted** This is because members with debt management literacy can assess the interest rates charged on different loans, understand the consequences of defaulting on loan payments, and communicate with financial providers if they encounter financial difficulties or are unable to service the loan on time. Similar to this finding, Tuyisenge (2015), Gaudence et al. (2018), Jemal (2019), Case et al. (2022), and Henson (2023), through USD multiple regression effect of financial literacy on loan repayment performance and KEGLO, K (2023) through binary logistic regretter financial management and help you stay on track with loan repay.

Saving literacy: As shown in the table above, in 4.13 the coefficient for saving literacy ($B = 1.029, p < 0.001$) indicates a positive relationship between saving literacy and loan repayment performance at a 1% significance level. The odds ratio of 2.798 shows that when other independent variables are constant, the probability of loan repayment performance increases by 2.798 times when the saving literacy increases by one unit. **Therefore, Ha11 is accepted.** This

means that members who have saving literacy save money for future needs or emergencies, and they are more likely to build a financial cushion for loan repayments compared to members who lack saving literacy. This finding is similar to the study by (Jemal, 2019) on the effect of financial literacy on the financial performance of medium-scale enterprises, as well as the study by KEGLO, K (2023) on the effect of financial literacy and credit repayment in MFI using a binary logistic regression model saving literacy has a positive relationship between the saving literacy of members and their loan repayment performance.

3.5. Summer of hypothesis testing

In this part the hypothesis wick were formulated earlier in chapter one was tested as follows.

Table 4.13. Tested hypothesis

No	Tested hypothesis	p>z or P-value of predictor at 5% of signifcant level.	Result of finding
Ha1	The increasing of female members has a statically and significant positive effect on loan repayment performance	P=.006	Rejected
Ha2	The age of the members has a statically and significant positive effect on loan repayment performance	P=041	Accepted
Ha3	Educational level has a positively and significant positive effect on loan repayment performance	P=006	Accepted
Ha4	Occupation has a statically and significant positive effect on loan repayment performance	P=003	Accepted
Ha5	Married status has a statically significant positive effect on loan repayment performance	P=000	Accepted
Ha6	Monthly income has a statistically significant positive effect on loan repayment performance.	P=020	Accepted
Ha7	Family sizes have a statically and significantly negative effect on loan repayment performance	P=001	Accepted
Ha8	Budget literacy has statistically and significantly positive effect loan repayment performance.	P=006	Accepted

Ha10	Debt management literacy has a statically and significant positive effect on loan repayment performance	P=016	Accepted
H11	Saving literacy has a statically and significant positive effect on loan repayment performance	P=001	Accepted

Source: **Model output, (2024)**

As shown in Table 4.14 above, the P-values for gender, age, education level, occupation, marital status, monthly income, budget literacy, debt management literacy, and saving literacy were .006, .041, .006, .002, .000, .020, .001, .006, .016, and .001, respectively. The significance level for these variables was less than 0.05 at a 5% and 1% significance level. This result indicates that ten variables, namely gender, age, education level, occupation, marital status, monthly income, budgeting literacy, debt management literacy, and saving literacy, were selected at Duroshalla Saving and Credit Cooperative Union. Therefore, the formulated hypotheses (Ha1, Ha2, Ha3, Ha4, Ha5, Ha6, Ha7, Ha8, Ha10, and H11) are accepted or supported. These results are in line with previous studies conducted by (Deyganto, 2022) KE GLO, K. (2023), ((Woodyard, 2021), and (Jemal, 2019).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The study investigated the effect of financial literacy on the loan repayment performance of Duroshalla SACCOs Union in West Arsi Zone, Oromia Region, Ethiopia. To determine the level of loan repayment performance, factors such as gender, age, education level, occupation, marital status, monthly income, budget literacy, bookkeeping literacy, debt management literacy, and saving literacy were used. To examine the relationship between Pearson correlation and binary logistic regression analysis, respectively, were employed. In this chapter, a summary of major findings, conclusions, recommendations, and future research directions are illustrated as follows

5.1. Summary of major findings

To meet the objectives of the study ten specific objectives were raised to assess the area of the problem. Based on the result of the data analysis, the Summary of major findings are presented below

Accordingly, the two groups member of respondents with 116 (64%) members are timely paying their loans, while 64 (35.6%) members did not pay their loans on time. This result suggests that the majority of saving and credit cooperative members pay their loans on time according to the views of respondents in the study area. Based on the findings, the researcher concluded that the loan status of members is good and enables them to run their business activities, assuming other things remain constant. From interview results loans given to parties were not being fully repaid on time for various reasons of interference, carelessness, leaving the area and returning late, due to security problems, using the loans for other purposes, and suffering losses

The descriptive statistics findings show that there was a significant association between the dependent variable and independent variables like -gender, age, education level, occupation, marital status, family size, and the aggregate mean result for budget literacy, debt management literacy, and saving literacy in the study area indicate 3.15, 3.014, 3.096, and 2.95 respectively. The mean values lie within the range of [2.62-3.41] and fall within the moderate and mean range level. The results show that the respondents were not fully knowledgeable in budgeting literacy, bookkeeping literacy, debt management literacy, and saving literacy in the study area.

Loan repayment performance (LRP) has significant positive correlations with Age of the respondents (AGE), ($r=0.286$, $p<0.001$) educational level (EDU) ($r=0.300$, $p<0.001$), Occupation (OCP), ($r=0.239$, $p=0.001$), marital status of the borrowers (MS) ($r=0.152$, $p=0.042$), monthly income (MIC) ($r=0.152$, $p=0.042$) budget literacy (BL), debt management literacy (DML) saving literacy (SVL) Age has significant positive correlation with OCP ($r=0.148$, $p=0.047$), indicating that older individuals have more on-campus opportunities. Marital status (MS) and (monthly income) (MINC) are highly correlated ($r=1.000$, $p<0.001$). Loan repayment performance (LRP) has significant negative correlations with gender of the respondent (GEND) ($r=0.198$, $p=0.008$), family size (FS) ($r=0.261$, $p<0.001$) However, and bookkeeping literacy (BKL) have no relationship with loan repayment (LRP).

With regard gender of the members, the regression result of the study showed that being female members has negative and statistically significant at 1% level of significance because. This result is similar to the finding by Deyganto, K. (2022) who has used a binary logistic regression model that indicated that female borrowers have a negative impact on loan repayment. But dissimilar by the finding by Ofbga (2018) who has used a binary logistic regression model that indicated that female borrowers have a positive impact on loan repayment

As a result, binary logistic regression found gender has a negative significant effect on loan repayment performance estimated, the variable was negatively related to loan repayment performance and statistically significant at the 1% significance level. In other words, holding all other variables constant, females are less likely to repay loans on time compared to males by a factor of 0.270. or Male borrowers have a better understanding of loan repayment, which enables them to pay loans than females.

The age of the respondent has a positive and significant effect on loan repayment performance at a 5% significance level. indicating that for every one-unit increase in age, the odds of timely loan repayment increase. In other words, older borrowers have higher odds of repaying their loans on time compared to younger borrowers. Because older members may have had more time to establish a stable income, build a credit history, and develop responsible financial habits.

Education level was a positive significant effect on loan repayment performance of members. As estimated, the variable was positively related to repayment performance and statistically significant at one percent probability level. This result shows that members who have better educational level are more likely to be successful paid loan within due date

Occupation was significant positive effect loan repayment performance of members. show that statistically significant positive related with loan repayment performance at onepercent significance indicate that Employee members have higher repaying their loans on time compared to farmers, traders, and retirees. This is because employees typically have a more stable and predictable income, which can positively impact their ability to manage debt effectively

Also, there is a statistical significance of a positive relationship between the marital status of the respondent and loan repayment performance at a 1% significance level. The odds ratio values also indicate that with other independent variables held constant, the probability of loan repayment performance increases by 7.588 times when the number of married borrowers in SACCOS increases. This suggests that married members are often perceived as more responsible, reliable, and mature, which may contribute to their higher probability of repaying loans on time.

It is found there is a statistical significance of a positive relationship between the monthly income of members and loan repayment performance at a 5% significant level. The odds ratio values show that when other independent variables are constant, the loan repayment performance increases by 1.577 times the monthly income of members in SACCOS.

Also, the other objective variables show a statistically significant negative relationship between the family size of members and loan repayment performance at a 1% significance. The odds ratio values indicate that, when other independent variables are held constant, the probability of loan repayment performance decreases by 0.506 times as the number of family sizes in SACCOs increases. This suggests that members from larger families are more likely to have lower loan repayment rates compared to those from smaller families. Additionally, members from larger families are less likely to repay their loans on time due to increased household expenses and the need for more income to support the family.

From binary logistic regression results the researcher found that statically signified of positive relationship between budget literacy and loan repayment performance at a 1% significant level. The odds ratio of 1.855 indicates that when other independent variables are constant, the probability of timely loan repayment increases by 1.855 times as one-unit budgeting literacy increases. Budgeting literacy can help the ability of members to pay loans on time without default since they can do forecasting and internal audits to identify errors in their books of account hence enabling them to make necessary changes in good time.

Also, the study revealed a statistically significant positive relationship between debt management literacy and loan repayment performance at a 5% significance level. The odds ratio of 2.328 indicates that, for every one-unit increase in debt management literacy, the probability of timely loan repayment increases by a factor of 2.328. This is because members with debt management literacy can assess the interest rates charged on different loans, understand the consequences of defaulting on loan payments, and communicate with financial providers if they encounter financial difficulties or are unable to service the loan on time.

For the last objective, there is a statistically significant positive relationship between the saving literacy of members and loan repayment performance at a 1% significant level. The odds ratio of 2.798 means that, for a one-unit increase in saving literacy, the odds of timely loan repayment increase by 2.798. This means that those who have higher saving literacy can understand the ability to save money effectively and the importance of saving for future needs or emergencies, as well as building a financial cushion for loan repayments, more than members who do not have saving literacy lower saving.

Finally, the study found that the p-values of gender, age, education level, occupation, marital status, monthly income, budgeting literacy, literacy, debt management literacy, and saving literacy were .006, .041, .006, .002, .000, .020, .001, .006,.016, and .001, respectively. Ha1, Ha2, Ha3, Ha4, Ha5, Ha6, Ha7, Ha8, Ha10, and H11 are accepted.

Through data analysis and regression models, the research findings suggest that factors such as gender, age, education, occupation, marital status, monthly income, family size, budget literacy, debt management literacy, and saving literacy significantly effect loan repayment performance.

Specifically, older, more educated, married members, in certain occupations, with higher monthly incomes are more likely to repay loans on time. Furthermore, members with better budgeting, debt management, and saving literacy skills demonstrate higher odds of timely loan repayment. The study underscores the importance of enhancing financial literacy programs within SACCOs to improve loan repayment rates and ensure the sustainability of these cooperatives. Therefore, the formulated hypotheses

5.2. Conclusion

The conclusions of this study were drawn from the major finding summary. The study investigated the effect of financial literacy on the loan repayment performance of Duroshalla SACCOs Union in West Arsi Zone, Oromia Region, Ethiopia. Descriptive statistics findings, show that there were significant associations between the dependent variable and independent variables gender, age, education level, occupation, marital status, family size, and the aggregate mean result for budget literacy, bookkeeping literacy, debt management literacy, and saving literacy in the study area. Members of the respondents were not fully equipped with budgeting literacy, bookkeeping literacy, debt management literacy, and saving literacy in the study area. Pearson correlation analysis results of gender, age, educational ,occupation, family size, and saving literacy at a 1% significant level, marital status and debt management literacy are at 5% significant. level, monthly income and bookkeeping are not significantly correlated with loan repayment. As per the results of the binary logistic regression analysis shown that Age, education level, occupation, marital status, budgeting literacy, debt management literacy, and saving literacy variables have a positive and significantly effect loan repayment performance of the members of Duroshalla SACCOs Union in West Arsi Zone, Oromia Region, Ethiopia. On the other hand, family size and gender have a negative effect loan repayment performance of the members of Duroshalla SACCOs Union. However, bookkeeping literacy is not significant. Through data analysis and regression models, the research findings suggest that factors such as gender, age, education, occupation, marital status, monthly income, family size, budget literacy, debt management literacy, and saving literacy significantly effect loan repayment performance. Specifically, older, more educated, married members, in certain occupations ,with higher monthly incomes are more likely to repay loans on time. Furthermore, members with better budgeting, debt management, and saving literacy skills demonstrate higher odds of timely loan repayment. The study underscores the importance of enhancing financial literacy programs within SACCOs to improve loan repayment rates and ensure the sustainability of these cooperatives

5.3 Recommendation

Based on major finding and conclusion the following recommendation were suggested to Duroshalla SACCOS Union. The results indicate that females are less likely to repay loans on time compared to males. Therefore, the Duroshalla SACCOS Union should give training for female as they repaying loans on time and to know their responsibilities.

The results also indicate that older members have a higher rate of repaying their loans on time compared to younger members thus, Duroshalla SACCOS Union has to offer alternative loan facilities or incentives for older members to encourage responsible repayment performance.

A positive relationship between education level and loan repayment performance suggests that with increasing educational level, the probability of loan repayment also increases compared to lower educational or illiterate. Therefore Duroshalla SACCOS Union and government encourage continuous education and skill development among members to enhance their financial literacy and capability to manage loans effectively.

Occupation has a statistically significant positive effect on loan repayment performance hence, Duroshalla SACCOS Union should explore partnerships with employers or industry associations to provide financial education and support to members in specific occupations that have a positive impact on loan repayment performance.

Marital status has significance in a positive relationship with loan repayment performance, suggesting that an increasing number of married members in saving and credit cooperatives can help decrease the impact on loan repayment performance. Therefore, it would be beneficial for Duroshalla SACCOS Union to consider marital status when assessing loan repayment performance and utilize this information to modify loan products or repayment strategies for married borrowers.

The positive association between monthly income and loan repayment performance indicates that an increase in a member's monthly income results in reduced delays in loan repayment. Therefore, it would be advantageous for Duroshalla SACCOS Union to encourage its members to enhance their income-generating activities through skills training or business development support, in order to improve their capacity to repay loans.

Significant and negative relationships between family size loan repayment performance suggest that Duroshalla SACCOS Union loan repayment is being adversely affected by the number of larger of family sizes to mitigate this effect, the study recommended that Duroshalla SACCOS Union manager should develop strategies to assist members with larger families in managing their finances effectively to improve their loan repayment performance. Offer financial planning resources and tools to help members with larger families' budgets and save effectively to meet their loan obligations.

Budget literacy has a significant positive association with Duroshalla SACCOS Union's loan repayment performance suggesting that increased budgeting literacy leads to loans Therefore, Duroshalla SACCOS Union should give budgeting literacy programs and workshops to enhance members' financial management skills and improve their loan repayment behavior.

The significance of the positive relationship between debt management literacy and loan repayment performance that increase in debt management literacy, suggests that the effect of loan repayment performance. Therefore it is better if Duroshalla SACCOS Union provides resources and training on debt management strategies to help members effectively manage their debts and improve their loan repayment performance. Collaborate with financial literacy experts or organizations to offer specialized workshops on debt management and responsible borrowing practices.

saving literacy has a significant positive relationship with loan repayment performance confirming that an increase in the level of saving literacy leads to a decrease in the. An increase in the level of saving literacy can lead to a decrease in loan defaults and delinquencies. Therefore it is well if the Duroshalla SACCOS Union encourages members to develop a savings habit and prioritize financial planning to build a financial cushion for loan repayments. about the benefits of Various saving options such as compulsory saving, voluntary saving, time deposit, non-interest bearing saving, child saving, social institution saving, commitment saving, emergency and accessing for future loans with better terms. Introduce incentives or rewards for consistent savers to further motivate members to save.

5.4. Future Research Direction

This study focused on effect of financial literacy on loan repayment among DSSACCOs Union. Several other factors affecting loan repayment exist. It is better if further study done by focusing on other variables which are not included in this research such as financial negotiation and the of investment literacy. Also, the study is limited due to its descriptive and explanatory research design. Yet, these types of relationships may need longitudinal research. Therefore, the researcher encourage for other researchers to conduct the study within different SACCOs in different part of the country. In addition to that to understand fully the effect of financial literacy in different angles

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APPENDIXES I

HAWASSA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

Survey questionnaire prepared for msc thesis data collection

Dear respondents,

I would like to invite you to take part in my research entitled “An analysis of financial literacy and its effect on loan repayment in case of duroshalla Sacco’s union West Arsi Zone, Oromia Regional State, Ethiopia”. The main goal of this research is to analyses effect financial literacy and on loan repayment. The result this research will inform to the governmental bodies, cooperative promotion bureau, policy makers and all other stakeholders to examine the effect of financial literacy and to define the role of financial literacy on loan repayment. I believe that your contribution is essential for the success of my research. While thanking you in advance for your valuable time and contribution, I want to guarantee you that your responses are remain confidential and it will be used for the academic purpose only.

Thank you in advance for your kind cooperation and wasted your time

Sincerely

Dugasa mekonnen.

Instructions:

No need of writing your name

For Close-ended questions, indicate your answers by mark (√) in the appropriate choice box.

For Open-ended questions indicate your answers by write the appropriate answer on the blank space provided in front of the question.

If you have comments or if you want to provide further explanations, please use the space provided at the end of the questionnaire.

Name of your lender institution -----

Part I: Socio-economic and demographic characteristics

- 1) Please indicate your gender.? A. Male b. Female
- 2) What is your age? -----
- 3) What is your level of education level? a) Illiterate b) 1-4 class
 c.) 5-8 class d) 9-12class e) Diploma and above
- 4) What is your marital status? A) Single b)Married c) Divorced
 a) Widowed
- 5) Please explain numbers of your family ? a) 1-2 b)3-4 c)5-6 d)7-8
 Above 8
- 6) What is your occupation? a) Farmer b)Trader c) Employment d)
 Retired
- 7) What is your Monthly income scale? A)0-3000 B) 3001-5000 C)5001-7000
 d) 7001-9000 e) Above 9000

Part II: Loan Repayment Performance Status

1. Express your opinion regarding the loan repayment terms by ticking [, under "yes" if you always repay your loan in full on time or ticking [, under "no" if you do not repay in a timely manner..

Loan repayment status	Yes	No
Did you repay the loan you took from the Duroshalla Savings and Credit Cooperative Union on time?	<input type="checkbox"/>	<input type="checkbox"/>

Please indicate your level of agreement or disagreement with each statement by putting a tick [, mark using the following five measurement scales. **1=strongly disagree** **2= Disagree** **3= Neutral** **4= Agree** **5= strongly agree**

Part III Budgeting Literacy

No	Statement	1	2	3	4	5
1	Knowing budget preparation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Knowing budget control	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Prudence in spending	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Knowledge of ability to do forecasting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Knowing conducting an internal audit.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you want to provide further explanations about budgeting Literacy -----

Part III : Book keeping literacy

No	Statement	1	2	3	4	5
1	I have understood how to manage cash flow.					
2	I can manage debtors and creditors.					
3	I have enough knowledge of debtor and creditor management.					
4	I have been able to prepare financial statements.					
5	I can get accurate financial information.					

If you want to provide further explanations about keeping Literacy -----

Part IV Debt Management Literacy

No	Statement	1	2	3	4	5
1	Knowledge of loans and other credit offers					
2	Knowledge about interest rate methods and calculation					
3	Having knowledge of loan repayment and the effects of default					
4	Able to discuss with financial providers during a business financial crisis					
	Having the Knowledge of insurance serves in SACCOs					

If you want to provide further explanations about debt management literacy -----

Part IV Saving Literacy

No	Statement	1	2	3	4	5
1	Set aside a certain amount of money for saving every time.					
2	Understand fixed savings accounts with attractive interest rates.					
3	Knowing different saving options and their goals					
4	Ability to create and stick to a savings plan.					

If you want to provide further explanations about debt management literacy -----

APPENDIXES II

Questions for interview

General information

Questions for Key Informants Interview Duroshalla saving and credit cooperative union.

Questionnaire code -----Name of primary sacco -----

Date of interview -----time of interview-----starting time -----

Name of interviewer -----

Name of informants _____ Age _____ Sex _____ Educational status _____

- 1.**What is the understanding of members regarding budgeting, controlling, and forecasting for the timely repayment of loans?
- 2.**What are the accounting practices of a savings and credit cooperative of a member of a duroshalla union?
- 3.**What is the perception of the members on debt management for timely loan repayment?
- 4.**What is the cultural savings behavior of members in terms of borrowing, saving to achieve future plans, saving to repay loans, and how do members understand the types of savings options?
- 5.**What general factors do you think affect the loan repayment performance of members?
- 6.**What happens if a loan is not repaid on time?

Deebii af-gaaffii afaanii/ answer of interview/

① Dandeettii Baajeta fopheessuu, to'achuu, dandeettii waan
Fuula duraa tilmaamuu waliin wal gabatee Liqii
hanga ammaatti daubatti harkigate hin jiru

② Sababa hangina galmewan herreega tokko tokkoof
herreegii yeroon galmau fi yeroon cofamuu irratti
hanginni jira, akkasumas baadii fi galiin yeroon
galma'ee ibsi herreega jira jiraan fopha'ee qaama
barbaachisaa fi dhigaa chuu irratti laafina jira.

③ Hubannoon miseensotni liqii fi itti fayyadama liqii
irratti qaban laafaadha.

* Sobabni isaa:-

- miseensi liqii dhaaf gaaffii qayyala liqii yera
dhigaaatu baroora gabatamaa fopheesse liqeeffach-
uu irratti hubannoon inni qabuuf gochaanis miseen-
sota tokko tokko bisa hin jiru.

- kanneen barooraan liqeeffatan inni baroora
isaanii waan barooraameen alatti maalaga liqeeff-
atan dhimma birooaf odahu.

* Itti fayyadama liqii fi liqii yeroon deebisuu irratti miseenso-
tini laafina qabu.

④ Akkasumas haadho (P) fi dhala liqii (I) Shallaguun, yeroon
deebisuu irratti hubannoon jiru laafaadha

* Raqaa sobaa dhimmota balaa faayidaansii fi daldala wahu
wal gabatee fuddeessuun miseensota irratti dimolote

* Qosota Ousannoo fi Itti fayyadama isaa irratti miseensi hubannoon
isaa godu aanoadha, fuddeessuun dhigaa qofa irratti hinnoota

- ④ * Miseensotni aadaa ~~Wusannoo~~ g'aa hin jaban.
- liqeeffachuu fofaa f'usatu
 - Dandeettiin ykn hanga liqeer isaan qofatanif hanga kappiteelo isaan jaban wal hin argu.
 - Wusannoo dirqaman alatti f'usannoo fedhiif fedhiif fedhii hin jaban.

- ⑤ * Qiddu galummaa qaama alaatu baayata
- Maali dhubdeenis miseensa bura jira.
 - Bakka jireenyaa jijjiireechuu miseensa
 - Hoala yeroo (siyaasa, qaala'insa jireenyaa)

- ⑥ * Kuxaatii hamantu waldaa mudata.
- Harraati miseensotaa
 - Waldaan kisaraa keessa seera.
 - waldaan baasiphaa malkef saxxilama.
 - Waldaaf miseensota waldichaa taqabbii dhakan



DABALATAA 1

YUNIVARSIITII HAWASSA KOOLEEJII BIIZINASHII FI DIINAGDE KUTAALAA HERREGA FIFAYINAANSII

Gaaffii Qorannoo Ragaa Barruu (MSC)Sassaabuuf Qophaa'e

Kabajamtoota deebii kennitoota,

Qorannoo mata dureen isaa “Xiinxala ogummaa faayinaansii fi dhiibbaa inni liqii deebisuu irratti qabu jedhu waldaa hojii gamtaa qusannof liqii Duroo shallaa godinaa arsii lixaa Naannoo Oromiyaa, irratti akka hirmaattan isin afeeruun barbaada.”. Galmi qorannoo kanaa inni guddaan xiinxali dandeettii faayinaansii liqii deebisuu irratti dhiibbaa inni qabu qorachuu dha. Bu’aa qorannoon Kun qaamolee mootummaa, biiroo guddina waldaa hojii gamtaa, qaamolee imaammata baasan fi qooda fudhattoota biroo hundaaf dhiibbaa dubbisuu fi barreessuu faayinaansii qorachuu fi gahee dubbisuu fi barreessuu faayinaansii kaffaltii liqii irratti qabu ibsuuf ni beeksisa. Milkaa'ina qorannoo kootiif gumaachi keessan murteessaadha jedheen amana. Yeroo fi gumaacha gatii guddaa qabu kanaaf dursee osoon isin galateeffadhu, deebii keessan iccitii ta'ee akka turuu fi kaayyoo barnootaa qofaaf akka oolu wabii isiniif kennuu barbaada

Qajeelfama:

- Maqaa keessan barreessuu hin barbaachisu
- Gaaffiiwwan banaa ta'aniif deebii barbaachisaa ta'e bakka duwwaa gaafficha fuuldura jiru irratti barreessuudhaan agarsiisi.
- Gaaffiiwwan Cufameef, deebii kee sanduuqa filannoo barbaachisaa ta'e keessatti mallattoo (✓)tin agarsiisi.
- Yaada yoo qabaattan ykn ibsa dabalataa kennuu yoo barbaaddan dhuma gaaffichaa irratti kenname fayyadamaa.
- 1. Maqaa dhaabbata liqeessaa keessanii -- -----

KUTAA 1^{FFAA}: ODEEFFANNOO SEENAA

1. Kornian keessn maalli? a Dhiira b. Dubartii
2. Umurii keessan meeqa?-----
3. Sadarkaan barnootaa keessan maali? A.Dubbisuu fi barreessuu kan hin dandeenye
b. kutaa 1-4 c kutaa 5-8 d. kutaa 9-12 e. deploma fi isaa ol

4. Haalli gaa'elaa keessan maali ? a. Qofa hin qabne b . Kan heerumte
c. Kan wal hiikte d. abbaan/haati manaa irraa du'e/duute.
5. Miseensota baay'ina maatii a.1-2 b. 3-4 c. 5-6 . 7-8 . 8 ol
6. Gaheen hojii keessan maali? A. qonnan bulaa b . Daldaalaa c. hojjetaa
d. Soorama bahe jira.
7. Galiin ji'aa keessanii kam keessatti argamaa? A. 0-3000 b. 3001-5000 c) 5001-7000 d) 7001-9000 e) Above 9000

Kutaa 2^{faa} haala deebii liqii

1. Haala kaffaltii liqii waliin walqabatee yaadakee ibsi. yoo Yeroo hunda liqii kee guutummaatti yeroon ni deebiftaa Yoo ta'e eyyee jalatti tiik[√] agarsiisi , yoo hin ddbistu ta'e immoo lakki jalatti tiikii mallattoo [√] agarsiisi:

Haala kaffaltii liqii	Eeyyee	Lakki
Liqli waldaa hojii gamta qusanno fi liqli duurooshalla irra fudhatte yeroo isaa egdee ni deebistaa?		

Maaloo filannoo barbaachisaa ta'e filachuudhaan gaaffilee 1.4 jiraniif mallattoo tick [√] kaa'uun ibsaa: 1-Cimsee walii galuu dhabuu ,2- Walii galuu dhabuu,3-Giddu galeessa, 4-Waliigaluu, 5- Cimsee walii galuu

Kutaa 3ffaa dandeettii baajata

No	Ibsa	1	2	3	4	5
1	Qophii baajata irratti Beekumsa qabaachuu					
2	Dandeetti Baajata to'achuu qbaachuu					
3	Baasii of eggannoof qophaahuu irratti hubannoo qabaachuu					
4	Beekumsa dandeettii tilmaama baajataa qabaachuu					
5	Beekumsa odiiitii keessoo gaggeessuu qabaahuu					

Dandeettii baajata irratt ibsa dabalataa kennuu yoo barbaaddan -----

kutaa 3ffaa dandeettiin galmeessuu herrгаа

	Galmeessuu herrгаа	1	2	3	4	5
1	Beekumsa bulchiinsa yaa,insa maallaqaa qabaachuu					
2	Beekumsa bulchiinsa liqii fi liqeessitootaa ittatt hubannoo qabaachuu					
3	Beekumsa hojiirra oolmaa galme dacha beekuu.					
4	Ibsa herregaa qopheessuu irratti hubannoo fi dandeettii qabaachuu.					
7	Beekumsa fi dandeettii odeeffannoo faayinaansii sirrii ta'e argachuu					

Dandeettiin galmeessuu herrгаа irratt ibsa dabalataa kennuu yoo barbaaddan-----

kutaa 4ffaa Hubanno bulchiinsa liqii

lakk	Ibsa	1	2	3	4	5
1	Liqii fi dhiyeessii liqii biroo irratti Beekumsa qabaachuu					
2	waa'ee mala fi shallaggii dhala liqii irratti Beekumsa qabaachuu.					
3	Kaffaltii liqii fi bu'aa liqii irratti Beekumsa qaba					
4	yeroo rakkoo maallaqaa dhiyeessitoota faayinaansii waliin mari'achuu nandanda'u.					
5	Faayidaa insurance liqii fi halduree isaa irraatt hubannoo qabaachuu					

Hubanno bulchiinsa liqii irratt ibsa dabalataa kennuu yoo barbaaddan -----

Kutaa 5FFAA Hubanno Qusannaa

lakk	ibsa	1	2	3	4	5
1	Yeroo hunda maallaqa murtaa'e qusachuuf muteessu.					
2	Herrega qusannaa dhaabbataa dhala hawwataa qabaachuu fi beekoo					
3	Filannoo qusannaawan adda addaa irratti beekumsa qabaachuu fi tiifyyadamuu					
4	Dandeettii karoora qusannaa uumuu qabaachu fi itti fayadamuu/ hojiira olchuu					
5	Fayidaa qusannoon investmentii keessatti qabu beekuu.					

Hubanno Qusannaa irratt ibsa dabalataa kennuu yoo barbaaddan -----

Gaaffilee af-gaaffii

Odeeffannoo waliigalaa

Hubannoo Koodii gaaffilee -----maqaa WHGQL -----

Guyyaa af-gaaffii fi deebii -----yeroo af-gaaffii fi deebii--- -----yeroo jalqabaa

Maqaa gaafataa ----- Maqaa gaafatamaa -----

1. Miseensonni liqii fudhatan yeroon deebisuuf baajata qopheessuu,to'achuu,fi gara fuulduraatti tilaamuu waliin wal qabatee maal fakkaataa?
2. Halli qabinsa herregaa waldaa hojii gamtaa qusannoo fi liqii miseensa yuuniyeenii duurooshallaa maalfa kaatu nuuf ibsaa?
3. Hubannoo miseensi bulchiinsa liqii fi itti fayyadama isaa irratti qabu maal fakkaataa?
4. Adaan qusannoo miseensotaa liqeefachuu, qusatee karoora gara fuulduraa galmaan gahuu fi liqii debisuuf qusatu, akkasumas gosootat qusannoo irraati miseensi hubanno inni qabuu maal fakkaataa?
5. Raawwii kaffaltii liqii miseensotaa irratti dhiibbaa kan geessisan wantoota waliigalaa maali jettanii yaaddu?
 1. Liqii tokko yeroon yoo hin kaffalamiin maaltu ta'a?