INNOVATIONS

Financial Performance Trend Analysis of Micro-Finance Institutions: A case of Oromia Credit & Saving share company, Ethiopia

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Abstract
The emphasis of this research was on the financial performance trend analysis of Ethiopia's Oromia Credit and Savings Share Company. The study used a quantitative research method and acquired secondary data from the firm. The Oromia Credit and Savings Share Company in Ethiopia was the study's target population. The sample consisted of Oromia Credit and Savings Share Company's audited financial statements for the ten years. Selected SEEP model ratios were used to analyse the data. The study's findings suggest that Oromia Credit and Savings Share Company's financial performance, as assessed by sustainability/profitability, and asset/liability management, has been unsatisfactory. According to the study, lowering operational expenditures can enhance sustainability/profitability as evaluated by ROA and ROE ratios. The report also suggests that the company maintain an adequate liquidity ratio to cover short-term payments, as well as manage its debt-equity ratio and portfolio of assets, in order to maximise profitability and revenue.

Key words:1. MFI 2.Financial performance 3. Tend analysis

1. Introduction

1.1. Background of the study

Microfinance has been considered to be a powerful tool to fight poverty through the provision of basic financial services including credit, savings, insurance, and transfer of funds. Microfinance institutions essentially operate on a combination of financial products (micro-credit, micro-leasing, micro-insurance, micro-savings, and money transfers) targeting specific groups of customers. Recipients of the services generally are micro-businesses and economically active citizens who at the same time are poor. Such poor persons normally have limited access to standard financial credits and services provided by classical financial institutions and banks(Ofeh & Jeanne, 2017). Microfinance institutions (MFIs) provide a range of financial services to poor households. Their worldwide growth in numbers had a positive impact by providing the poor with loans, savings products, fund transfers and insurance facilities. This helped to create an encouraging socio-economic environment for many of developing countries households(Abebe, 2019).According to Grameen Bank and Accion International, Microfinance is the financial service such as savings, credit and payment products to low-income clients. It is the supply of loans and savings services to the poor. By its name, microfinance means an extension of small amounts of credit to small entrepreneurs,

particularly to the poor to ease financial constraints on production and income raising activities(Bipin et al., 2018).

In the MFI context, financial performance is the ability of a MFI to keep on going towards microfinance objective without donor support (Thapa, 2008, cited in Ngumo et al., 2020). The main aim of every micro-finance institution is to have operations that are profitable in order to maintain stability and improve on sustainability and growth (Agola, 2014). Thus, Microfinance Institutions (MFIs) should seek to maximize performance in many areas, whether it is social or economic (Jørgensen, 2011) cited by (Ngumo et al., 2020).Trend analysis is the examination of a company's financial statements and indicators over time to determine how actions affect results. Financial statements for a single period do not reveal much about the institution. The best method for performing trend analysis is to either compare the current period to a previous period of the same length, such as the previous quarter and the current quarter, or to annualize the indicators for the current period and compare the annualized indicators to the previous year(Ferro-Luzzi & Weber, 2011).

Almost all microfinance organisations in Ethiopia have as their main objective the provision of financial services to the needy. Microfinance became a crucial instrument for addressing the poor who had limited access to the official financial system. Microfinance organisations have boosted their supply of financial services to the poor in Ethiopia in a short period of time (Wolday, 2003), as stated in (Oljira & Fenet, 2016). The financial performance trend of the Oromia Credit and Savings share company was examined using sustainability/profitability and asset/liability management ratios in this study.

1.2. Statement of the problem

The poor and vulnerable are unable to access formal financial institutions as a result of MFIs' poor performance, leaving them with no prospect of escaping the poverty cycle (Arsyad, 2015, cited in Mabonga& Kimani, 2017). According to Ngumo et al., 2020, the microfinance industry has been increasing at a large rate in numerous countries, and it has become a major sub-sector of the formal financial markets (Assefa, Hermes &Meesters, 2010). However, the microfinance sector, as well as all of its participants, is rapidly evolving (Yenesew, 2014). The number of microfinance service providers has also expanded significantly, and greater rivalry has been reported in many countries as a result of the industry's expansion and saturation of markets (Porteous, 2006). Many microfinance organisations have high loan payback rates, but only a few have made a profit so far (Cull, Demirgüç-Kunt, and Morduch, 2007).Many microfinance organisations have high loan payback rates, but only a few have made a profit so far (Cull, Demirgüç-Kunt, and Morduch, 2007). Commercial banks compete fiercely with MFIs, and the expansion of commercial banks' microloan activity may pose a threat.

In Ethiopia, particularlyin the Oromia regional state, the majority of research on microfinance organisations' financial performance trend analysis was not conducted using ten-year data. Furthermore, no literature has documented the financial performance trend analysis of Oromia Credit and Savings Share Company, Ethiopia, in terms of sustainability/profitability and asset/liability management. As a result, the focus of this research was on a trend analysis of Oromia Credit & Savings Share Company's financial performance in Ethiopia.

1.3. Objective of the Study

The general objective of this study was to analyse the financial performance trend of microfinance institutionin the case of Oromia credit and saving share company, Ethiopia.

2. Literature Review

2.1. Conceptual Literature Review

According to (CGAP,2012, cited in Abebaw, 2014)) defined ‘‘microfinance’’ the provision of formal financial services to poor and low-income people, as well as others systematically not benefited from the financial system. As noted, ‘‘Microfinance’’ it is not only providing a range of credit products (for consumption, smoothing for business purposes, to fund social obligations, for emergencies, etc.) only, but also savings, money transfers, and insurance.The term ‘‘microfinance institutions’’ is generally used to refer to those financial institutions that are characterized by their commitment to assisting typically poor households and small enterprises in gaining access to financial service(Njogu, 2011).Traditional banking sector cannot reach millions of poor for whom small loans could make huge differences. There are several reasons for this. Most of the poor are rural, and they are much dispersed. They have low education levels, if at all. As a result, administrative cost of supplying loans to the poor population is extremely high. Another issue that makes it difficult to serve these customers through traditional banking is that the poor does not have any assets to use as collateral. As a result, the poor had access to loans only through local money- lenders at exorbitantly high interest rates(Yirsaw, 2008).

Microfinance has been defined as: - the means by which poor people convert small sums of money into large lump sums (Rutherford 1999, cited in Yirsaw, 2008)). Microfinance services may be seen in terms of four main mechanisms:Loans: which allow a lump sum to be enjoyed now in exchange for a series of savings to be made in the future in the form of repayment instalments. Savings: which allow a lump sum to be enjoyed in future in exchange for a series of savings made now. Insurance: which allows a lump sum to be received at some unspecified future time if needed in exchange for a series of savings made both now and in the future. Insurance also involves income pooling in order to spread risk between individuals on the assumption that not all those who contribute will necessarily receive the equivalent of their contribution. Pensions: which allow a lump sum to be enjoyed as a specified and generally distant date in future in exchange for a series of savings made now.Microfinance arose with the aim of alleviating poverty and improving the lives of underprivileged people. Impact studies were carried out to attest that microfinance is genuinely reaching its foremost goal, though the evidence was not strong enough to confirm this assumption (Morduch, 2002, cited in Daher & Le Saout, 2013). Today, monitoring and analysing FPIs, or financial performance indicators, is likely to have a greater value- added for microfinance lenders and investors.

2.2. Financial indicators for microfinance institutions

Measuring financial performance in microfinance should not be very different from measuring financial performance of other financial institutions. The SEEP Networkpublished in 2010 a ‘‘Guide to microfinance financial reporting standards measuring financial performance of microfinance institutions(Daher & Le Saout, 2013). Experts divide the financial indicators of microfinance financial performance into five categories:Capital adequacy and solvency, Asset quality (Portfolio quality),Profitability and sustainability,Efficiency and productivity and Liquidity(SEEP, 2010).

2.2.1. Sustainability/Profitability of Microfinance

According to (Letenah, 2009, cited in Abebaw, 2014)sustainability defined as the ability of a MFI to cover its operating and other costs from generated revenue and provide for profit. It is an indicator which shows how the MFI can run independent (free) of subsidies. This change in

emphasis has created a different perspective on the analysis of performance of the MFIs.Sustainability/profitability ratios measure an MFI's net revenues in relation to the major components of its balance sheet namely the equity and assets. Sustainability helps investors and managers determine whether the invested funds are generating adequate returns. Due to low leverage or debt to equity ratio, most MFIs typically rely on retained earnings to fund growth. Consequently, MFIs should aim at achieving higher return on assets or equity(Paper, 2012).Financial sustainability indicates the ability of an MFI to survive in the long- run by means of its own income generating activity, that is without any contributions from donors (AEMFI, 2013).Financial sustainability refers that the ability of a microfinance provider to cover all of its costs on an unsubsidized basis or without accepting donation(Abebaw, 2014). As per the MIX Market definition the term financial sustainability is defined as havingan operational sustainability level of 110% or more, while Operational sustainability is defined as having an operational self-sufficiency level of 100% or more.

As cited by (Oljira & Fenet, 2016), sustainability is loosely defined as the ability of a MFI to cover its operating and other costs from generated revenue and provide for profit. It is an indicator which shows how the MFI can run independent (free) of subsidies. This change in emphasis has created a different perspective on the analysis of performance of the MFIs. Today many key plays in the industry use sustainability as one core criteria to evaluate the performance of MFIs besides the outreach and impact measures (Letenah, 2009).

2.2.2. Asset/Liability management of microfinance institutions

The basis of financial intermediation is the ability to manage assets (the use of funds) and liabilities (the source of funds). Asset/liability management is required on the following several levels: Interest Rate Management -The MFI must make sure that the use of funds generates more revenue than the cost of funds, Asset Management- Funds should be used to create assets that produce the most revenue (are most "productive"), Leverage-The MFI seeks to borrow funds to increase assets and thereby increase revenue and net profit. At the same time, the MFI must manage the cost and use of its borrowings so that it generates more revenue than it pays in Interest and Fee Expense on those borrowings. It must also be wary of borrowing more than it can repay in times of trouble and Liquidity Management-The MFI must also make sure that it has sufficient funds available ("liquid") to meet any short-term obligations(Ferro-Luzzi & Weber, 2011).

2.3. Empirical review

Tilahun and Dereje (2012) used a descriptive research approach to examine the financial performance of Ethiopian MFIs. The study's findings demonstrated that the fall in the gross loan portfolio resulted in a negative shift in performance measures. The analysis also discovered that the portfolio at risk increased in 2008 and 2009, suggesting a worsening in portfolio quality, while the number of active borrowers (outreach) decreased, despite an increase in the MFI's workforce. Muriu (2011) used a balanced panel dataset of 210 MFIs operating in 31 countries from 1997 to 2008 to investigate the influence of funding choice on microfinance profitability. The study discovered that a bigger deposit as a percentage of total assets was linked to higher profitability. Furthermore, the study found that MFIs with a larger portfolio-assets ratio are more profitable, although the effect varies depending on the age of the MFI.

(Ndonji, 2013) used a Camel Model technique to conduct research on the financial performance analysis of chosen microfinance organisations. The study used descriptive

research based on secondary data to assess the financial performance of selected MFIs in India. The study concluded that MFIs should reduce their debt and raise their advances in order to retain strong profitability, improve their efficiency, management, cut their nonperforming assets (NPA), and have strict standards while making loans.

(Yirsaw, 2008) investigated the performance of microfinance institutions in Ethiopia, employing the SEEP network model to analyse financial and operational performance. The study's target population was 27 MFIs. Six MFIs were chosen for the study based on their size (small, medium, and big) and geographical dispersion (the other criterion being their affiliations; some of them are government affiliated, while others are NGO affiliated and privately owned). This research was mostly based on secondary data from the institutions' annual financial reports. According to the survey, microfinance institutions' profitability and sustainability were good in terms of operational and financial self-sufficiency, as well as asset and liability management. Most microfinance institutions employ the majority of their assets for their core business (making loans to micro entrepreneurs).
The study suggests that though the MFIs were doing well in terms of profitability and sustainability, small MFIs should exert maximum effort to pass the minimum threshold level in connection with operational and financial self-sufficiency to cover their costs, grow and sustain by their own.Despite the fact that MFIs were performing well in terms of profitability and sustainability, the study advises that small MFIs should make every effort to meet the minimal threshold level of operational and financial self-sufficiency in order to pay their costs, develop, and maintain themselves.

2.4. Research Gap

Previous research on microfinance organisations in Ethiopia and Oromia Regional State has mostly focused on financial performance and comparisons. To the best of the researcher's knowledge, no study has been undertaken on the financial performance trend analysis of microfinance firms using 10-year financial statements.

3. Research methodology

3.1. Research Design

This study was quantitative in nature and was based on secondary data gathered from the Oromia Credit and Savings Company's audited report and accounts for the financial years 2011 to 2020.

3.2. Population and Sampling

The Oromia Credit and Savings Share Company in Ethiopia was chosen as the target unit. The research sampling approach is a convenient sampling technique. It is a sampling approach in which targets are chosen based on their ease of access and closeness to the researcher.

3.3. Source of Data Collection

Because the study is based on secondary data, the whole data set was compiled from audited yearly financial statements and reports received directly from the firm by the researcher.

3.4. Method of Data Analysis

Yarsaw (2008) cites the SEEP Network and CGAP as the most widely used tools for evaluating the performance of microfinance organisations (Yirsaw, 2008). The financial performance trend of Oromia Credit and Savings Share Company was examined using the SEEP rating

framework ratio analysis. Trend analysis is the use of data from several periods to measure performance movements; it was used to ensure that data from various periods was compared and a trend was formed. According to Ferro-Luzzi& Weber (2011), there are a variety of financial ratios and indicators, each of which can give important information to a microfinance institution (MFI) manager. Managers can use ratios and indicators to assess their organization's success across a wide range of activities. Selected SEEP ratios were utilised to perform trend analysis in this study: sustainability/profitability (3 ratios) and asset/liability management (3 ratios).

Table3.1 A Framework of Performance Measurement in Financial Terms

AREA	SEEP	Formula	Explanation
Sustainability/Profitability	Operational Self sufficiency	$\frac{\text{Financial Revenue}}{(\text{Financial Expense} + \text{Impairment Losses on Loans} + \text{Operating Expense})}$	Measures how well an MFI can cover its costs through operating revenues.
	Return on Assets (ROA)	$\frac{\text{Net Operating Income} - \text{Taxes}}{Average\ Assets}$	Measures how well the MFI uses its assets to generate returns. This ratio is net of taxes and excludes non-operating items and donations.
	Return on Equity (ROE)	$\frac{\text{Net Operating Income} - \text{Taxes}}{Average\ Equity}$	Calculates the rate of return on the average equity for the period.
Asset/Liability Management	Portfolio to Assets	$\frac{\text{Gross Loan Portfolio}}{Assets}$	Measures the MFI's allocation of assets to its lending activity. Indicates management's ability to allocate resources to the MFI's primary and most profitable activity-making microloans.
	Debt to Equity	$\frac{\text{Liability}}{Equity}$	Measures the overall leverage of an institution and how much cushion it has to absorb losses after all liabilities are paid.
	Liquid Ratio	$\frac{\text{Cash} + \text{Trade Investments}}{\text{Demand Deposits} + \text{Short term Time Deposits} + \text{short term borrowings} + \text{Interest Payable on Funding Liabilities} + \text{Accounts Payable and Shortterm Liabilities})}$	Measures how well the MFI matches the maturities of its assets and liabilities. Short-term are assets or liabilities or any portion of the same that have a due date, maturity date, or may be readily converted into cash within 12 months

Source:(Ferro-Luzzi & Weber, 2011)

4. Discussion

4.1. Financial Performance Trend Analysis: Sustainability/Profitability

The potential of microfinance institutions to operate and develop in the future is reflected in their profitability and sustainability ratios. The following variables were used to assess the sustainability and profitability of Oromia Credit & Savings Share Company: operational self-sufficiency, return on assets (ROA), and return on equity (ROE) ratios:

Table 4.1 Sustainability/Profitability Ratios of the Oromia Credit and Saving share company (OCSSCO) from 2011 to 2020

Financial measure/ Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Average
OSS	1.61	1.66	1.42	1.42	1.63	1.60	1.61	1.82	1.56	1.34	**1.567**
ROA	0.06	0.06	0.05	0.05	0.07	0.06	0.05	0.05	0.05	0.03	**0.053**
ROE	0.23	0.21	0.19	0.22	0.30	0.23	0.22	0.25	0.25	0.14	**0.224**

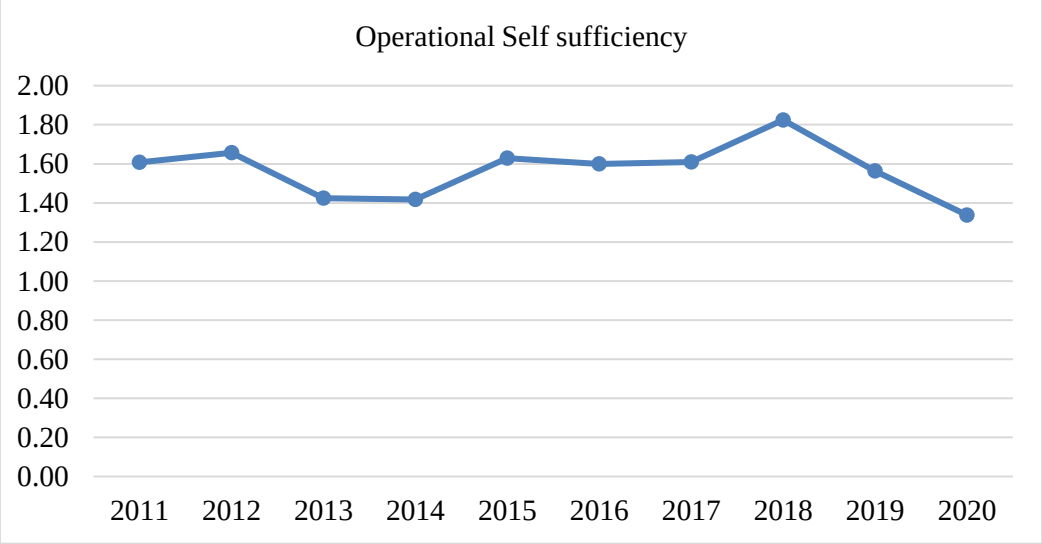
Source: (Computed from OCSSCO financial statement,2021)

4.2.1. Operational Self Sufficiency (OSS)

The operational self-sufficiency of a microfinance institution (MFI) is a measure of how effectively it can cover its regular expenditures and continue its services through operating income. Total operational revenue is divided by operating expenditures by financial expenses plus net loan provision charges to arrive at this figure. An OSS greater than 1.0, or 100 percent, indicates that the MFI is fully operationally self-sufficient; an OSS less than 100 percent indicates that the institution requires ongoing outside funding to maintain its current level of operation; and an OSS greater than 100 percent indicates that the institution is self-sufficient; it can continue operating at its current scale without additional subsidies (Ofeh& Jeanne, 2017, Daher & Le Saout, 2013, Mersland, 2014).

Figure 4.1 depicts Oromia Credit and Savings Share Company's operational self-sufficiency trend over ten years, from 2011 to 2020:

Figure 4.1 Operational Self Sufficiency Trend



Source: (Researcher, 2021)

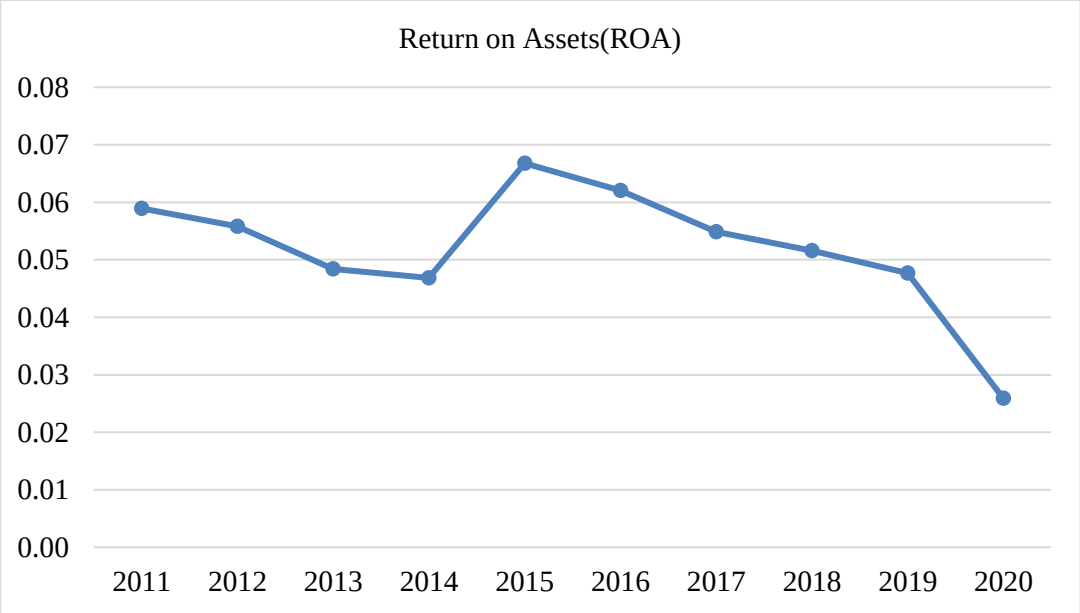
The study used a visual representation of the real financial indicators to show the development over 10 years. The data demonstrate that operational self-sufficiency increased in 2012, decreased in 2013 and 2014, then increased again from 2016 to 2018, before declining in 2019 and 2020. This implies that Oromia credit and saving share firm can pay its costs from operating revenues, i.e., it is operationally self-sufficient, because the OSS ratio for 2011 to 2020 was more than 1 (or 100 percent).

4.2.2. Return on Assets (ROA)

The Return on Assets (ROA) metric measures how successfully an MFI manages its assets in order to maximise profits. The ratio considers not just the portfolio's return, but also any additional revenue from investments and other operations. The ROA is a measure of an MFI's overall health and sustainability, and it essentially analyses how well it uses its assets. The rate of return on average assets for the period is calculated by dividing net income by the average assets for the period.

The followingfigure 4.2 shows the ROAtrend for Oromia Credit and Saving share company from 2011 to 2020:

Figure 4.2 Return on Assets Trend



Source: (Researcher, 2021)

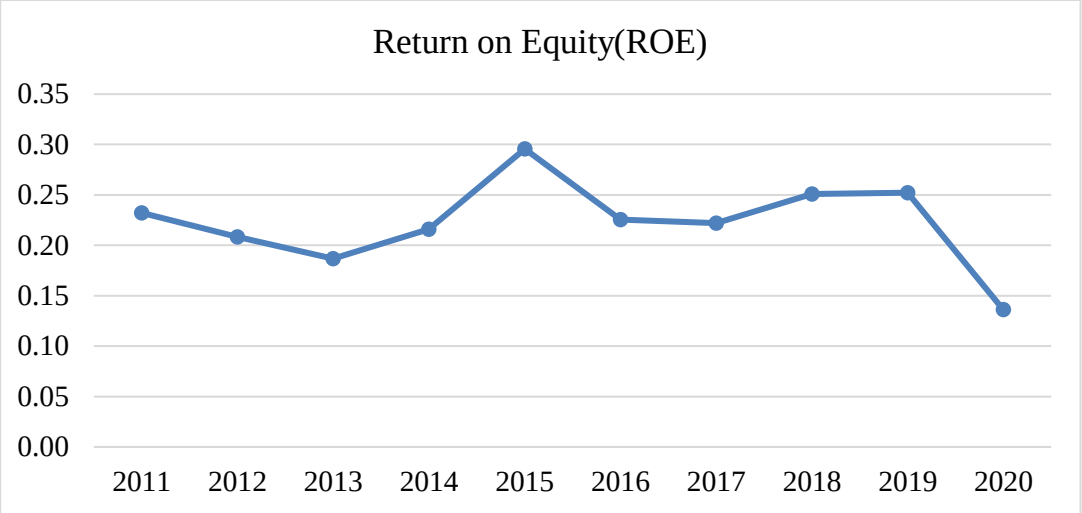
According to the statistics, the return on total assets was highest in 2015 and lowest in 2020. From 2011 to 2014, the return on assets fell, then rebounded in 2015, then fell again from 2016 to 2019, and then fell gradually in 2020. According to the statistics, Oromia Credit & Savings share company's return on net assets has been dropping from 2011 to 2020.

4.2.3. Return on Equity (ROE)

The return on investment in an institution is measured by the ROE, which is a measure of an MFI's overall health and sustainability. It's calculated by dividing net income by average equity. It represents the period's average rate of return on average equity. From 2011 to 2020,

the ROE for Oromia Credit and Savings Share Company is shown in Figure 4.3:

Figure 4.3 Return on Equity Trend



Source: (Researcher, 2021)

The return on equity ratio was highest in 2015, at 0.30, and lowest in 2020, according to the data. From 2011 through 2020, the average return on equity was 0.224. It means that the money invested in net assets by Oromia Credit and Savings Share Company is not yielding sufficient earnings (equity). The lower the return, the fewer the products, and the more efficient the management of net assets.

4.3. Financial Performance Trend Analysis: Asset/Liability Management Ratios

The capacity to manage assets (the usage of assets) and liabilities is the foundation of financial intermediation (Ferro-Luzzi& Weber, 2011). The financial performance trend analysis of the Oromia Credit & Savings share company was done in this study by utilising three ratios: Portfolio to Assets, Debt to Equity, and Liquid Ratio.

Table 4.2 Asset/Liability Management Ratios of the Oromia Credit and Saving share company from 2011 to 2020

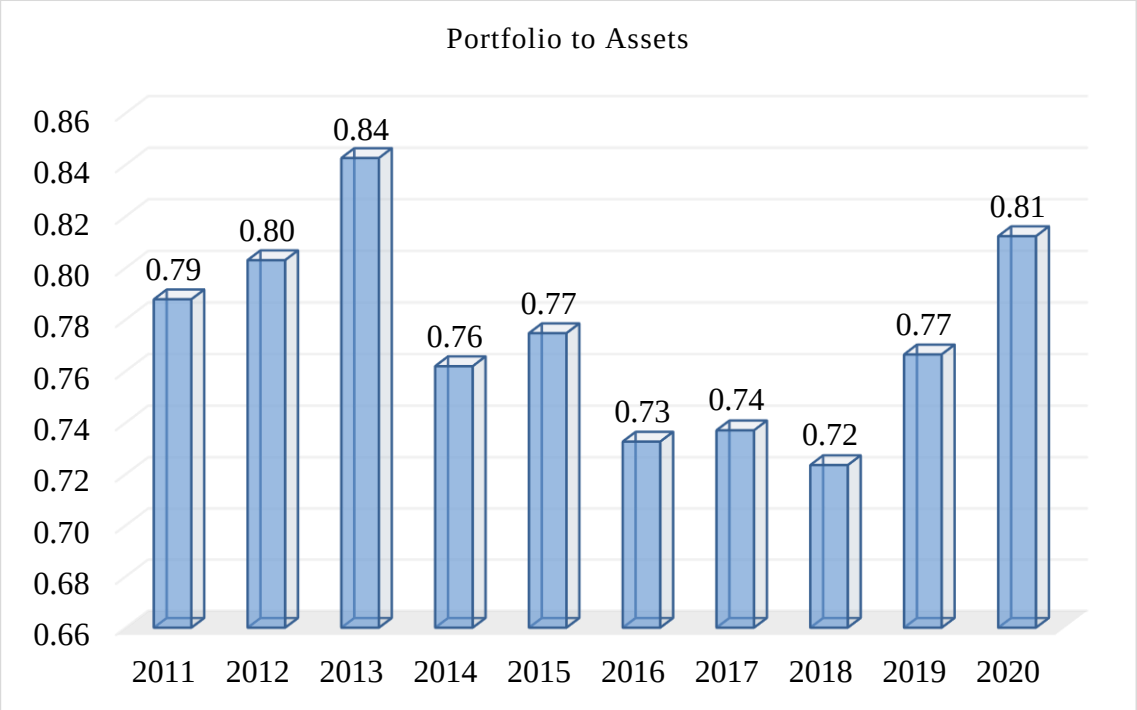
Financial measure / Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Average
Portfolio to Assets	0.79	0.80	0.84	0.76	0.77	0.73	0.74	0.72	0.77	0.81	**0.773**
Debt to Equity	2.80	2.69	2.99	4.11	2.92	2.41	3.56	4.10	4.47	4.06	**3.411**
Liquid Ratio	0.30	0.23	0.17	0.27	0.28	0.39	0.44	0.62	0.27	0.20	**0.317**

Source:(Computed from OCSSCO financial statement,2021)

4.3.1. Loan Portfolio to Assets

This ratio indicates how much an MFI devotes to its principal business lending, which is usually its most profitable operation. Low results might suggest inefficient asset utilisation, while high results could indicate a lack of liquidity. From 2011 to 2020, the loan portfolio to assets of Oromia Credit and Savings Share Company is shown in Figure 4.4:

Figure 4.4 Portfolio to Assets Trend



Source: (Researcher, 2021)

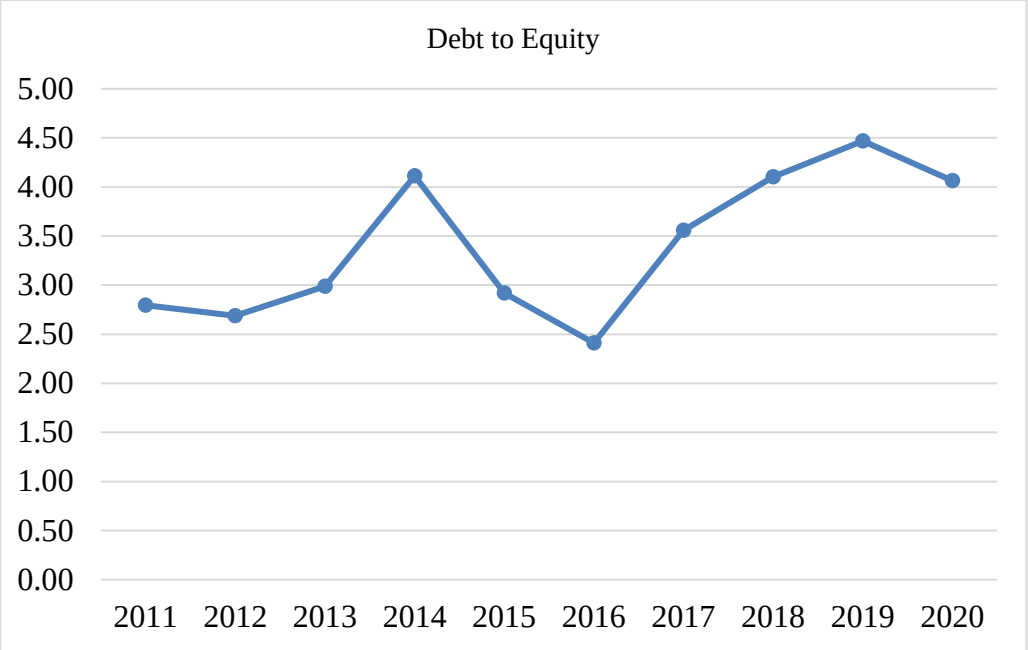
The results of table 4.2 and figure 4.4 show that the trend portfolio to asset ratio increased from 2011 to 2013 and from 2018 to 2020, indicating a deterioration in the loan portfolio to asset ratio, but the ratio decreased in 2014 and 2016, indicating an improvement in the portfolio to asset ratio. SEEP suggests a 10% reduction (Ndonji, 2013). It may be deduced from the average portfolio to asset ratio (0.773) that the company's portfolio of assets has been declining.

4.3.2. Debt to Equity

A popular metric of an MFI's capital sufficiency is debt/equity, which shows how much capacity the organisation has to withstand losses before its creditors are put in danger. It's also known as the leverage ratio, and it illustrates how successfully the MFI can leverage its equity to expand assets via borrowing. The debt-to-equity ratio (Lislev et al., 2012) cited in this article is a typical measure used to analyse a firm's leverage, or the amount to which it relies on debt as a source of funding (Ofeh& Jeanne, 2017). More productive microfinance institutions use more debt in their capital structure, and highly leveraged microfinance institutions are more profitable (Muriu, 2011). (Ofeh& Jeanne, 2017).

From 2011 to 2020, the debt-equity ratio for Oromia Credit and Savings Share Company is shown in Figure 4.5:

Figure 4.5 Debt to Equity Trend



Source: (Researcher, 2021)

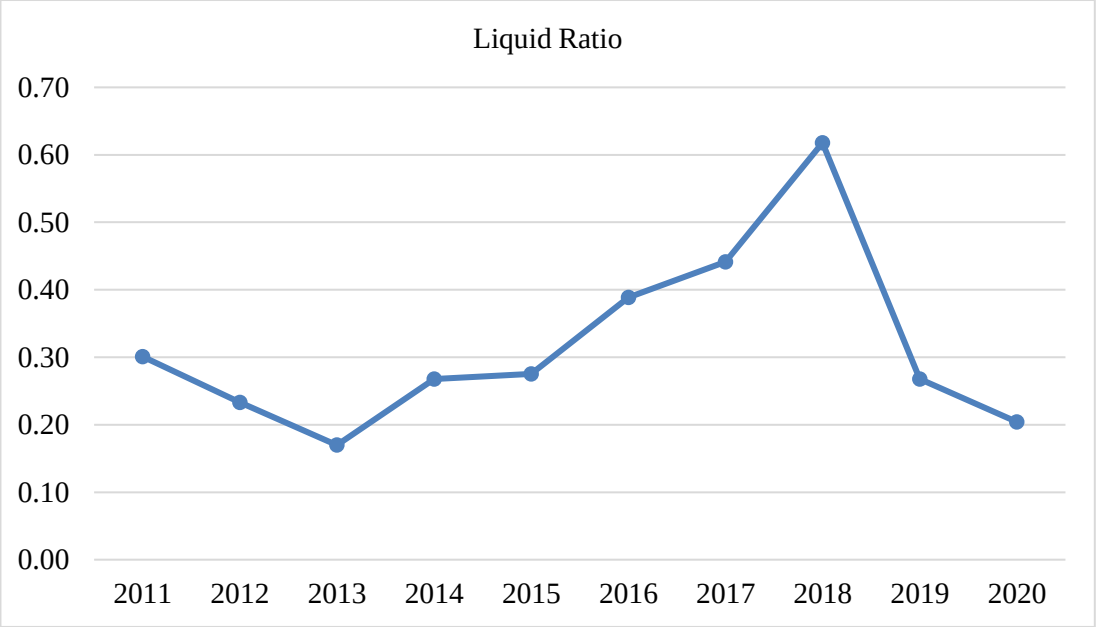
According to the statistics, the debt-to-equity ratio was at its peak in 2019 and lowest in 2016. The ratio grew from 2011 to 2014, then decreased in 2015 and 2016, before increasing again from 2017 to 2019. According to the findings, from 2011 to 2020, the debt to equity ratio was growing. With an average debt-to-equity ratio of 3.411, this indicates that Oromia Credit and Savings Share Company was at more risk since it focused more on debt than equity.

4.3.3. Liquid Ratio

The liquid ratio is a metric for determining if a company's cash resources are sufficient to meet short-term obligations to depositors, lenders, and other creditors. Because their whole operation is predicated on the efficient management of cash inflows and outflows, financial institutions are particularly sensitive to cash shortages. Maintaining adequate cash is critical for MFIs, not just to pay bills, employees, and creditors, but also to keep their commitment to give repeat loans to customers, which is a crucial incentive for borrowers to repay their debts. Similarly, any financial organisation that fails to reimburse customer deposits on schedule risks losing client trust and future investment (Ferro-Luzzi& Weber, 2011). Most businesses regard a ratio of 2:1 or greater as adequate (Tungal, 2019). It indicates the MFI's capacity to meet short-term obligations.

The followingfigure 4.6 shows the liquid ratio for Oromia Credit and Saving share company from 2011 to 2020:

Figure 4.6 Liquid Ratio Trend



Source: (Researcher, 2021)

Based on the liquidity ratio, the study examined the financial performance trend of Oromia Credit and Savings Company. From 2011 to 2013, the ratio decreased, and from 2013 to 2018, the ratio increased. In 2019 and 2020, there was a continuous drop. This demonstrates that the trend in financial performance, as assessed by the liquid ratio, was unsatisfactory. The current ratio average is 0.317, which is less than one. As a result, the firm did not have enough cash on hand to pay for any short-term obligations.

5. Conclusion and Recommendations

5.1. Conclusion

The report looked at Oromia Credit and Savings Share Company's financial performance in terms of financial sustainability/profitability, and asset/liability management. The purpose of this study was to examine the financial performance trend of Ethiopia's Oromia Credit and Savings Share Company. For this, the SEEP Model Approach was used. The SEEP model method is excellent for analysing and judging the performance of any financial institution since it aids in the verification of MFIs' sustainability/profitability, and asset/liability management. According to this study, the Oromia Credit and Savings Share Company had a negative performance trend in two of the sustainability/profitability financial performance metrics (ROA and ROE) while having a positive performance trend in operational self-sufficiency. In addition, the Oromia Credit and Savings Share Company showed a poor financial performance trend in all three asset/liability management areas, according to the report (portfolio to asset, debt to equity, and liquid ratio).

5.2. Recommendations

Oromia Credit and Savings Share Company's sustainability/profitability, as evaluated by ROA and ROE, needs to improve since the trend was not good in those times by lowering their operational expenditures. The Oromia Credit and Savings Share Company also advised

maintaining a sufficient liquidity ratio to pay bills, salaries, or creditors; providing repeat loans to clients, which is a major incentive to repay loans; and managing its debt-equity ratio and portfolio of assets in order to earn good profits and increase revenue and earning capacity.

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