Innovations

Effect of Borrower's Characteristics on Loan Repayment Performance and sustainably of Youth Revolving Fund in Oromia Regional State, Ethiopia

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Abstract *Ethiopian youth revolving fund plays a vital role in providing financial and technical assistance to unemployed youths in alleviating their economic and social difficulties. The government established this fund to reduce the prevailing unemployment of productive youth through effective management using the fund sustainably by replenishing itself. However, the annual reports of both Oromia Credit and Saving Share Company (OCSSCo) and the government's show the performance of the fund is not as expected for reasons not scientifically studied and justified. The study's objective was to examine the effect of borrowers' characteristics on loan repayment performance and sustainability of youth revolving funds in Oromia Regional State, Ethiopia. The data for this study was collected from 328 randomly selected respondents of five clusters of Oromia based on geography and business activities of Oromia. STATA Software Version 16.0 was used and both the descriptive statistics and inferential statistics (Ordinal Logistic Regression Model) were used for data analysis and the finding shows that six variables including constant: spouses influence, married group members, age of the borrowers, the level of education and knowing other group members have negatively and statistically significantly affected loan repayment performances and sustainability of YRF at less than a 5% level of probability. Moreover, the YRF is unsustainable as operating self-sufficiency ration (OSSR) were much less than 100%. Thus, it is recommended that OCSSCO and Enterprise and Industry Development Office should evaluate the candidates for YRF loan past track record in the community, check the creditworthiness of the borrowers, support the loan with a character certificate from Kebele with a surety, and make a continuous follow-up of borrowers proper fund utilization, and progress of their business and provide some technical support undermine the defaulting rate of borrowers.*

Keywords: *1.Youth revolving fund, 2.loan repayment performance, 3.borrower's characteristics, 4.sustainability.*

1. Introduction

Microfinance offers financial services such as loans, savings, and micro-insurance to the poor people, who have no credit access from banks because of lack of collateral, individually or in a group basis is a powerful tool to fill their financing problems and fight poverty (Tadele, 2014). However, youth

unemployment in several countries of the world remains a pervasive challenge and it became a serious agenda for most developing countries specifically of sub-Saharan Africa (ILO, 2012). According to UNDESA (2018) and Mbugua and Kosimbei (2019), today's youth would not be able to escape poverty or address economic exclusion by 2030 if they do not have a means of employment. As a response to youth employability, eliminating poverty, and accelerating development, many African countries (Botswana, Mali, Tanzania, Kenya, South Africa, Namibia, Tunisia, etc.) have established Youth Revolving Funds in addition to the former efforts they made to help unemployed youth to start their businesses through MFIs (ILO,2012).

Ethiopia had also worked hard on the issue of unemployed youth by designing different youth-related packages for the attainment of development objectives and as a solution to youth unemployment challenges. Currently, the government has established the Ethiopian Youth Revolving Fund on March 10, 2017, by Proclamation No. 995/2017 intending to provide youth necessary support to alleviate their economic and social problems by engaging in organized income-generating activities (EYRF Establishment Proclamation No. 995/2017). As per this proclamation, the implementation of this fund requires the collaboration and involvement of different bodies such as the Commercial Bank of Ethiopia (CBE), the Ministry of Finance and Economic Cooperation (MoF&EC), the Ministry of Youth and Sport (MoY&S), Micro-financial Institutions, Micro-Enterprise Offices, etc. Based on this establishment, the fund has been allocated to all the nine regional states and two administrative councils of Ethiopia following the procedure stated in the proclamation, and the regional states and administrative councils took their share and started the implementation. Oromia Regional State, like other regional states in Ethiopia, implemented the distribution of the fund immediately through concerned bureaus and cascaded it down to districts following its administrative tiers. Accordingly, the Youth Revolving Fund loan has been distributed to unemployed youth (18-34 years of age) through a micro-finance called Oromia Credit and Saving Share Company (OCSSCO) since 2017. The government has disbursed seed money with the intention that the fund will replenish itself and be used sustainably further provide financial access to the unemployed youth. However, the amount collected back from the total YRF loan provided since its commencement is not motivating (OCSSCO, 2019 first-quarter report).

Though performing notable results since their establishment to the extent of expanding their service to small villages' level, micro-finance institutions are not free of loan default problems. A large number of studies in Amhara, Tigray, South Nation Nationalities &People, and Oromia Regional State revealed that loan default problems destroy the lending capacity of MFIs as the flow of repayment declines because of different factors(Jote, 2018; Kebede et al., 2016; Lilay, 2015; Abdul et al., 2014; and Gebeyehu et al., 2013). On top of their former functions of credit and saving scheme, they have been given responsibilities to take over the operation and management of Youth Revolving Funds in collaboration with other legally mandated government bodies. The loan default problems that have been challenging the other credit schemes of MFIs may also endanger the Youth Revolving Fund's sustainability.

On another hand, when young people are not fully participated in the labor force, it will be a burden and risk for the government in the form of the increased cost of social safety nets, lost productivity, and ever-mounting social costs. When youth unemployment goes to the extreme, the consequences may expand to a similar situation to the Arab Spring. There is also a potential fear that, if factors affecting revolving funds repayments performances like the effect of borrower's characteristics are not addressed substantially, YRF sustainability will be elusive. It is on this base that this study was conducted to examine the effects of borrower characteristics on loan repayment performances and sustainability of the Youth Revolving Fund in Oromia Regional State, Ethiopia.

A large number of studies have been conducted in both underdeveloped and developing countries on Youth Revolving Funds, though its naming differs from country to country. However, they fail to include specific effects borrowers' characteristics o (Age of borrowers, gender, marital status, skill

and experience, entrepreneurial competences and level of education) on loan repayment performance and sustainability of youth revolving fund. Furthermore, there is a general potential fear that if issues relating to borrowers' characteristics is not addressed noticeably, YRF loan sustainability will be elusive and finally result in YRF objectives failure. Based on this base, this research has been conducted to examine the effect of borrowers' characteristics related variables such as Age of borrowers, gender, marital status, skill and experience, entrepreneurial competences and level of education on loan repayment performances and sustainability of the Youth Revolving Fund in Oromia Regional State, Ethiopia to answer the following basic research questions.

1) To examine the effect of borrowers' characteristics on YRF loan repayment performance.
2) To assess sustainability of Youth Revolving Fund in Oromia Regional State

Hypothesis

Ho1: There are not statistically significant relationship between spouse influence and YRF loan repayment performance.

Ho2: There are not statistically significant relationship between marital status of borrowers' respondents and YRF loan repayment performance

Ho3: There are not statistically significant relationship between age of respondents and YRF loan repayment performance.

Ho4: There are not statistically significant relationship between gender of respondents and YRF loan repayment performance.

Ho5: There are not statistically significant relationship between entrepreneurial, skill and experience and YRF loan repayment performance.

Ho6: There is not statistically significant relationship between respondents level of education and YRF loan repayment performance.

Ho7: There are not statistically significant relationship between knowing other group members and YRF loan repayment performance.

2. Review of Literature

2.1. Theoretical reviews

2.2.1. Group Lending in Theory

Group lending in theory (solidarity group theory) postulated by Karlan & Morduch (2009), focused on youth and women group's micro-credit loan borrowing and repayment. According to this theory, responsibility of screening, monitoring, and enforcement will be changed from lenders to borrowers and inappropriate selection and psychological risks are also dealt by the borrowers. The peer group of five or more members' grouped to borrow a loan together in solidarity. Members are formed of their own free will based on their criteria and association with each other. As per group lending theory, in a group member defaults (fails to repay), the remaining group members will be responsible for his/her payment. Under group liability funds, all members have a shared responsibility to screen and select other members to allow into the program only the trustworthy individuals that the group commonly agreed on. The study describes group lending as a means of addressing moral hazard by providing inducements for members to exert peer pressure to ensure that funds are utilized as planned and effort employed until the loans are repaid in full. This will lower the rate of default,

condensed the anticipated total cost of borrowing for group members, and improve welfare, especially for households without collateral. The existence of a primary bond of loyalty between the group members helps the group to treat the group member when there is a departure from the set norms and ideals of the group specified in a case of default. By doing so, the lending organization can follow its borrowers and ensures the existence of constant monitoring of the achievement of their loan repayment behavior (Morduch, 1999).

The group lending is relevant to use in this study since the youth revolving fund loan uses the concept of group lending and repayment game, shared responsibility, and bond loyalty between groups on youth revolving funds utilization as one of the primary features that help/affect the group's repayment. It was with point of view that this theory was used as a basic theory to study the effect of browsers characteristics on the loan repayment performance and sustainability of youth revolving funds in Oromia Regional State, Ethiopia.

2.2. Empirical Reviews

Borrowers' character such as; age, marital status, group formation, and peer pressure have an impact on loan repayment performances. The study in Ghana by (Wongnaa and Awunyo-Vitor (2013 on "factors affecting loan repayment performance among Yam Farmers" showed that the borrower's status like education, experience, and age of the borrower have positive effects on loan repayment performance. In contradiction to this the study in India by S. Sangwan et al.(2020), and in South Sudan by Oringo et al., (2016), found that the fact that as the age of a borrower advances, family tends to increase recurring expenses over young children which consequently led to poor repayment behavior. Kangogo et al. (2013), Kiliswa and Bayat (2014) also revealed that gender, household size, and density of group members were negatively influenced loan repayment performances

Borrowers' background has significant influences on loan repayment performances. Onyeagocha et al. (2012), in the study on "determinants of repayment of loan beneficiaries of microfinance institutions" in Nigeria, found out that the length of experience in occupation was a powerful factor in loan repayment as experience provided the compass with which the entrepreneur navigated the turmoil business environment and was a veritable decision tool. The finding of the study on "repayment in microfinance: the role of financial literacy and caste" in India also revealed how borrower's skills and financial literacy could help them to reduce days taken to make loan repayments and months in which repayment was delayed (Barua and Sane, 2014). The study on "analysis of the strategies adopted in the performance of revolving funds of South Sudan", investigated the existence relationship between entrepreneurial competence and the performance of Revolving Loan Fund. The findings pointed out that the blend of knowledge, technique, and people skills, the integration and combination of all functional knowledge and skills helped the borrowers to successfully run their businesses thereby increasing their loan repayment performance (Oringoa et al., 2016). Another study in Nigeria' by Onyeagocha et al. (2012); and in Ghana' by Salifu et al. (2018), also found that loan size, level of education, and experience were among the outstanding determinants of loan repayments. Their findings those with only primary-level education register the best loan repayment performance than those with tertiary education followed by those with secondary education.

The study in Kenya by Aberi and Jagongo (2018) and Muthoni (2016), revealed that some spouses (married borrowers) escape from homes after receiving the loan to share their part and use it to finance the expenditure of their children thereby negatively affecting loan repayment performances. The study in Nigeria, also found that married beneficiaries were more prone to default on loan repayment than singles. The finding associated the problem of married defaulters with increased expenditures budgets for maintaining the family, the effect of which increased the probability of default in loan repayment (Etukumoh et al., 2015). According to Wongnaa (2013), gender and marriage have negative

effects on loan repayments (females were more likely to be able to repay their loans better than the males did). Akalewold and Mesfin (2019), and Garomsa (2017) also found that variable like the sex, educational level, family size, and borrowing experience were influenced the loan repayment of borrowers. The finding concluded that females were better at repaying their loans as compared to males; higher education, lower family size, and higher experience of the borrower have a positive contribution to the loan repayment. However, the result of the study in India by Yibrie (2017) contracted with Wongnaa's finding and revealed that males were relatively better at repaying their loans than their female counterparts. The study by Modisagae and Ackermann (2018) also indicates that the probability of not performing loan repayment decreases when the groups had more female borrowers in a group.

Tadele (2014), in finding the study on "determinants of microfinance loan repayment performance of Omo Microfinance (OMF) of Kaffa Zone" Ethiopia, revealed that the social sanction put on the defaulters within the group to enforce them to repay the loan has a positive impact on loan repayment performances than individual lending. Another study in Ethiopia (Jote, 2018), naked that if borrowers obtained a loan individually, their probability to default the loan increases; and as borrower's family size increased, the probability of borrowers repaying their loan decreased. Knowing other group numbers will increase group dynamism and has a positive contribution to youth revolving around fund loan repayment and its sustainability. The study in India by Sangwan et al. (2020), showed that the built of group cohesiveness in small group size helps the group to possess similar risk characteristics that may enhance the group loan repayment status. Contrary to this finding, the finding of Bukenya et al. (2019) of Uganda, revealed that some group leaders form a clique of few members and use the money for their purpose against the majority members of the group and planned investment stated in the application for the youth loan funding which exposed the loan-to-loan losses.

2.3. Conceptual framework

Considering the various borrower's characteristics related variables that could affect loan repayment performances and the sustainability of YRF in Oromia/ Ethiopia, the researcher developed the following conceptual framework. The conceptual model is used to assess overall factors related to loan repayment performance and sustainability of YRF, such as spouse influence, marital status of borrower's, age of borrower's, gender, Entrepreneurial skill and experience , level of education, and Knowing other group members related factors as indicated in Figure 1 below.

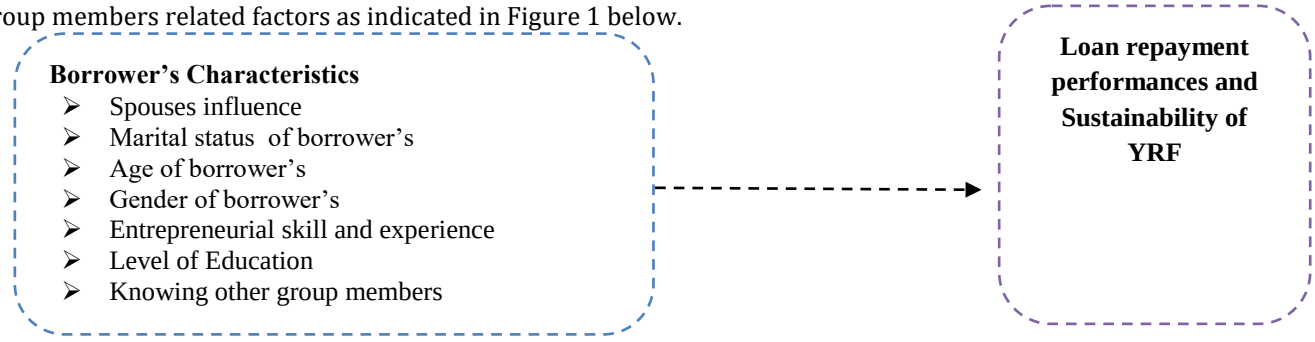

Fig.1 Conceptual Framework of the Study
Source: Research own development (2021)

3. Methods

3.1. Descriptions of the Study Area

The research was conducted in Ethiopia's Oromia Regional State, which is located in the horn of Africa. Ethiopia is organized into eleven regional states and administrative councils. Oromia (Oromiyaa) is an Ethiopian regional state and the Oromo people's homeland. Oromia is largest region in Ethiopia terms of area of land and its population. It is situated in the heart of the country, surrounding Finfinne (Addis Ababa), Ethiopia's capital, in all directions. Finfinne is the capital city of Oromia. Currently, the state has 21 administrative zones and over 300 districts, all of which have a pleasant climate for life and good fertile land for investment and development. Oromia's population was estimated to be about thirty-eight million in mid-2018, and its land area is about 535,690 square kilometres (CSA,202). Figure 1 below depicted the location of the study area.

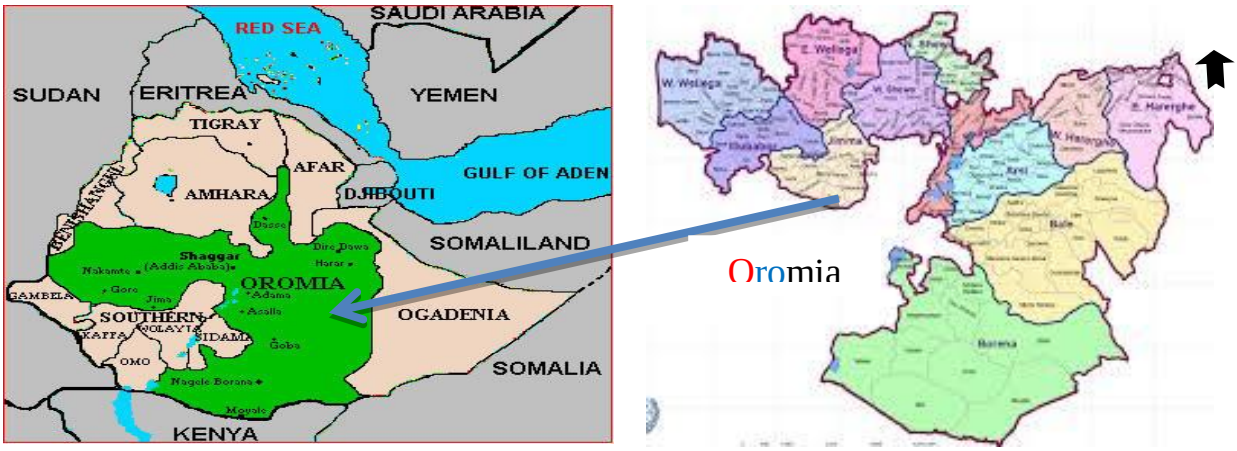

Figure 2 Map of Oromia Regional State
Source: http://www.ethiodemographyandhealth.org/(2021)

3.2. Research Design Sampling techniques and procedures

The study employed a cross-sectional descriptive and explanatory research design with mixed techniques, which includes elements of both qualitative and quantitative approaches, to achieve the best results. In theory, quantitative (logical and mathematical), qualitative (judgmental), and mixed (pragmatic) research approaches are research methods that a researcher chooses to use based on his or her research philosophy (Rahi, 2017, p. 2-3. From the total population of 29,942 YRF loan beneficiary groups and loan officers in the region, 380 sample respondents were randomly selected from the five sample clusters. To keep the sample's representativeness and enhance the reliability of the findings Kothari (2004) formula for the finite number of population (N) and $p=(1-q)$ at 95% level of confidence and a 5% confidence interval was used.

$$n=\frac{z^2.p.q.N}{e^2(N-1)+z^2.p.q}$$

Where;

N= Total population of the study

z = 1.96 (as per table of area under normal curve for the given confidence level of 95%).

P= the proportion of participation or perception,

q = the proportion that may not include and

e = the error term

The representative sample size was determined using a multi-stage sampling method. At stage I-20 Oromia zones were divided into five clusters based on their geography and business activities. In a sampling design stage II, sample respondents were proportionally allocated in relation to the percentage of the total population of the nine (09) purposively selected zones. Finally, 380 respondents were selected from 14,183 beneficiary groups in the selected cluster zones (353 sample beneficiary groups through simple random sampling techniques and 27 loan officers purposively).

3.3. Methods Data Collection

The data for current study were collected from both primary and secondary data sources. A questionnaire which is measured on a five-point Likert scale ranging from strongly disagree (1) to strongly agree (5) was used with the intension to elicit information which were developed by different authors (Moti ,2012; Papias & Ganesan ,2009; Lehmann & Neuberger, 2001), semi-structured interview, and focus group discussion (FGD) were also used to collect primary data. Secondary information was gathered from various journals, manuals, and regulations, Oromia Credit and Saving Share Company (OCSSCo) annual reports from 2016 to 2017-2020/2021 years and other publications related to the Micro and Small Enterprise, OCSSCo and Youth Revolving Funds loan.

3.4. Methods of Data Analysis

3.4.1. Descriptive Statistics

The current study used descriptive statistics such as frequency and percentage to summarize the masses of data or information.

3.4.2. Inferential Statistics

3.4.2.1. Ordinal Logistics Regression Model

The ordinal logistic regression model was used for examining the effect of credit management and support system variables on loan repayment performances and measuring the sustainability of YRF. Logistic regression models are more commonly used in the literature on the relationship between an ordinal dependent variable and more than two explanatory variables (McCullagh &Nelder, 1989; Agresti, 2010; Hosmer et al., 2013). As a result, the current study used the proportional odds model (also called the cumulative logit model) as it is the easiest model for applying or interpreting. It estimates the cumulative odds and the probability of an observation being at or below a specific outcome level, conditional on a collection of explanatory variables.

A set of j−1 equations defines an ordered logit model for an ordinal response Yi with j categories, and p be the number of independent variables (Draft of Grilli & Rampichini, 2021).

$$\mathbf{Log\left[P(Y \leq i)\right] = \alpha_j - \beta_i X_i} \quad (3.3)$$

Where $j = 1, \ldots, -1$ and i= 1, 2,...,P **or**

$$Log\left(\frac{P(Y \leq j_i)}{1-P(Y \leq j_i)}\right) = Logit = \alpha_j - \left(\beta_1 X_1 + \beta_2 X_2 + \ldots + \beta_p X_p\right) \quad j = 1, 2, \ldots, j-1 \quad (3.2)$$

Where:

α_j = the cut points/thresholds, are in increasing order ($\alpha_1 < \alpha_2 < \ldots < \alpha_{j-1}$)

$\beta_1, \beta_2, \ldots, \beta_p$ = logit coefficients,

P**=** the number of independent variables

Logit= the natural logarithm of the ratio of the probabilities

$\frac{P(Y \leq j_i)}{1-P(Y \leq j_i)}$ = cumulative odds for j_i , dependent variable category.

X_i = Dependent variables or predictors

From equation (1), the cumulative probability for category j:

$$\mathbf{P\left(Y \leq j\right)} = \frac{e^{\alpha_j - \left(\beta_1 x_1 + \beta_2 x_2 + \ldots + \beta_p x_p\right)}}{1 + e^{\alpha_j - \left(\beta_1 x_1 + \beta_2 x_2 + \ldots + \beta_p x_p\right)}} = \frac{1}{1 + e^{\alpha_j - \left(\beta_1 x_1 + \beta_2 x_2 + \ldots + \beta_p x_p\right)}} \quad (3.4)$$

The major expected independent variables of this study are Spouse influence (X1), marital status (X2), age of the borrower's (X3), the gender of borrowers(X4), entrepreneurial skill and experience (X5), the level of education (X6) and knowing other group members (X7), amount of the fund borrowed(X8)and number of group member(X9) . Accordingly, the following model was applied to in this study:

$$Log\left(\frac{P(Y \leq j_i)}{1-P(Y \leq j_i)}\right) = \alpha_j - \left(\beta_1 X_1 + \beta_2 X_2 + \ldots + \beta_9 X_9\right) \quad (3.5)$$

3.4.3. Test of Operating Self-sufficiency Ration (OSSR)

The current study used the concept of operating a self-sufficiency ration to test the sustainability of youth revolving funds in Oromia Regional State, Ethiopia. For computing youth revolving fund sustainability, the current study used the general formula modeled by Guntz (2011) as follows:

$$OSSR = \frac{\textbf{Total Operating Revenue}}{\textbf{Total operating expenses + loss on loan expense}}$$

Hint:

OSSR > 1 = Sustainable; OSSR < 1 **= Not sustainable and OSSR = 1 = Indifference**

4. Results and Discussions

4.1. Results

4.1.1. Descriptive Analysis

This section focused on presenting the demographic characteristics of sampled respondents and statistical descriptions of loan repayment performance and sustainability of the youth revolving fund (YRF), based on descriptive analysis.

4.1.2. The Response Rate

A total of 380 sample respondents were used for this study by dividing them into two response categories (353 sample respondents were selected to respond to questionnaires and 27 respondents were addressed through the interview). From 353 questionnaires distributed to respondents, 85% of questionnaires were correctly filled, collected, and used for this study analysis. All twenty-seven (27) respondents were selected for an interview well addressed, and their responses were included in this analysis. The overall response rate for this study was about to 86% of the target sample respondents. According to Draugalis et al. (2008) and JoLaine (2020), a 50% - 60% or above response rate is ideal and sufficient for research. As a result, the response rate for this survey (86%) was excellent, as it was higher than the optimal standard.

4.1.3. Demographic characteristics

Under this section, demographic characteristics such as respondents' gender, position, marital status, level of education, experience, and the age brackets of group members were presented. The proposed ideal number of group members for better loan management was also presented. The detailed data regarding this is summarized in Table 1 below.

Result in Table 1 revealed that 71% were male, whereas 29% were female respondents, which shows a high disparity between male and female beneficiaries of the youth revolving fund loan. The participation of female beneficiaries was even below 30% of the total borrowers. Regarding the respondents' position in the group, 41% were chairman, 24% were cashiers, 11% were secretaries, 8% were accountants, and 16% were members, which indicates that the data was collected from respondents with different information sources that considered all positions in the group, including the group members. The single respondents account for the lion's share, which was more than half of the respondents, 54%, followed by married respondents, 42%, whereas the widowed and divorced respondents were 2% and 2%, respectively. This implies that most of the beneficiaries of YRF were single group members, which might risk the continuity of the group following the assumption that they are less committed to take group responsibility, whereas the married group members are assumed to take more additional responsibility for most groups keeping other things constant.

The result (Table 1) shows that 26%, 14%, 18%, 20% , and 22% elementary schools, certificates , high schools, certificates, diploma and degree level of education respectively. This implied that the level education may affect the group dynamics on fund utilization and financial management keeping other variables remains constant. With regard to respondent’s experience, most of the respondents have experiences of more than 1 year. From total of 301 respondents of this study 55%of them had experience of 1-3 years followed by 23% with experience of 4-5 years. This implies that the group members have experiences in fund utilization and management to provide reliable and relevant information on loan repayment performances and sustainability of youth revolving funds.

Table 1 Demographic characteristics of the sampled respondents (N=301)

Category	Category	Frequency	Percentage
Gender (Sex)	Male	213	71
	Female	88	29
Position	Chairman	124	41
	Cashier	72	24
	Secretary	34	11
	Accountant	24	8
	Member	47	16
Marital Status	Single	163	54
	Married	125	42
	Widowed	7	2
	Divorced	6	2
Level of Education	Elementary school	78	26
	High School	42	14
	Certificate	54	18
	Diploma	60	20
	Degree	66	22
Experience	Less than one year	41	14
	1-3 years	164	55
	4-5 years	68	23
	Above 5 years	28	9

Source: Survey Data (2021)

4.2. Test of Reliability

The values of the alpha coefficients (Table 2) show 0.79, 0.71, 0.75, 0.72, 0.80 and 0.76 respectively, for the seven items, and all items are considered to be/acceptable in internal consistency. This indicates that respondents who gave high scores for one item also gave high scores for the others; conversely, respondents who gave low scores for one item gave low scores for the other claims of loan repayment success and YRF's sustainability. All of the instrument's components had an acceptable Cronbach's alpha of greater than 0.7, indicating that the instrument was trustworthy to use dependably (Field, 2009; Kline, 1999). (Table 2)

Table 2 Cronbach's alpha overall loan repayment performance and YRF sustainability variables and their reliability test

Items	Item-rest correlation	Alpha Coefficient
Spouses have strong influence on loans borrowed	0.3730	0.79
Single group members are more able to repay their loans promptly than the married ones.	0.4301	0.71
Age of the borrower's determining the loan repayment.	0.3696	0.75
Female group members are more honored their loan repayments.	0.3589	0.72

Entrepreneurial competences have positive effect on the loan repayment performances.	0.6060	0.74
The level of education influenced the loan repayment performances	0.4998	0.80
Knowing other group members has positive effect to build cohesiveness among members.	0.3690	0.76
Test Score		**0.75**

Source: Survey (2021)

4.3. Effect of borrower's characteristics on loan repayment performances and sustainability of Youth Revolving Fund

The objective of this study was to investigate the effect of borrowers' characteristics on YRF loan repayment performances and its sustainability in Oromia, Ethiopia. Accordingly, respondents were asked to indicate their responses regarding the effect of borrower characteristics on loan repayment performances and its sustainability as summarized in table 3 below.

The result (Table 3) shows the descriptive statistics of borrower's characteristics such as the spouse's influence on loan repayment, comparison of single group members versus married ones on loan repayment, age of the borrower, comparison of female group members versus male group members on loan repayment, entrepreneurial competences, level of education influenced and knowing other group members and their relationship with loan repayment performance and its sustainability. The result also showed that 75% and 68% of the respondents reported that single group members are more able to repay their loans promptly than the married ones and spouses have a strong influence on loans borrowed (spouses are more prone to diverting youth revolving fund loan to non-investment expenditures). This shows that the married members are suspected to divert the fund to unintended expenditure as they have more responsibility to cover household expenditures than the single members.

From Table 3, it was observed that 65% of the respondents responded that entrepreneurial competencies have a positive effect on the loan repayment performances while 21% of them remain neutral and 14% responded disagreed. On the other hand, 64% of respondents reported that the age of borrowers determines the loan repayment (the older the group members, the better the loan repayment in comparison to the young group members), This implies that the more the entrepreneurial competencies the better the loan repayment performances and though not universal the older the group member the more responsible he/she become and this, in turn, increases the loan repayment performances.

The result (Table 3) showed that 61% and 58% of the respondents reported that knowing other group members has a positive effect to build cohesiveness among members and the level of education has influenced the loan repayment performances (the lower the level of education the higher will be the rate of loan default). This shows that when group members know very well another group member continuously it creates a sense of belongingness and interconnection which has a positive effect on YRF loan repayment performance and its sustainability.

The result (Table 3) also showed that all the items have a mean score of greater than (M>3.0) and the standard deviation for all items is in a range of Std.dv. = 0.205 to Std.dv= 1.322 indicating how factors relating borrowers characteristics such as Spouse influence ,marital status ,age of the borrower's

,entrepreneurial ,skill and experience and knowing other group members and the level of education have affected YRF loan repayment performances.

Table 3 Effect of borrower's characteristics on YRF loan repayment performances and its sustainability (N=301)

Assessment tools/Items	Likert scales			Mean	Sdt.dv
	D	N	A		
	№ (%)	№ (%)	№ (%)		
Spouses have strong influence on loans borrowed	15(5)	81(27)	205(68)	4.01	1.322
Single group members are more able to repay their loans promptly than the married ones.	26(8)	50(17)	225(75)	3.78	0.734
Age of the borrower's determining the loan repayment.	46(15)	62(21)	193(64)	3.97	0.425
Female group members are more honored their loan repayments.	5(2)	65(21)	231(77)	3.79	0.893
Entrepreneurial skill and experience	42(14)	62(21)	197(65)	3.79	1.019
The level of education influenced the loan repayment performances	33(14)	92(31)	176(58)	3.75	0.205
Knowing other group members has positive effect to build cohesiveness among members.	43(14)	76(25)	182(61)	3.82	0.906
Source: Survey Data (2021) *Keys: D- Disagree; N- Neutral; A- Agree; Sdt.dv-Standard Deviation*					

4.4. Ordinal Logistic Regression Model Output

The result in Table 4 below shows that spouses influence on loans borrowed has a negative and significant effect on the loan repayment performance of the Youths Revolving Fund in selected areas at a 5% level of significance. This shows that because of spouses influence on loans borrowed, borrowers are 55% more likely not to perform the loan repayment in the selected area as compared to the references groups. The current results is in line with Njangiru (2015), which revealed that several spouses left their houses after receiving loans to avoid payments or the nagging demands of their partners or to part with some or all of the borrowed funds. The current result is also marital status of borrower's statistically significant effect on loan repayment performance of YRF in selected areas at a 5% level of significance. The result implies that the marital status is 59% more likely not to perform their loan repayment keeping other variables constant. The current result is consistence with Kasoga and Tegambwage (2021), Jote (2018), Ssekiziyivu et al., (2017), and Etukumoh et al. (2015), which showed that married borrowers

were more defaulters than singles as they increased expenditures budgets for maintaining the family, the effect of which increased the probability of default in loan repayment.

The results revealed that age of the borrower's determining the loan repayment has a negative and significant effect on the loan repayment performance of the Youths Revolving Fund in selected areas at a 1% level of significance which implies that as age of the borrower's increases the loan repayment of the fund is 42% more likely influence not to perform the loan repayment in the selected area as keeping other variables constant. The result of the current study is linked with the finding of Tadele (2014) who found that as the age of borrowers (youths) increased, the probability to honour the loan repayment increased because of their social bond and information-sharing. However, the current finding contradicts the report of Ifeanyi et al. (2014), which found a negative association between age and repayment ability of respondents (younger farmers were more likely to repay credit than older ones). The result of current study should those entrepreneurial competences of borrowers' have a positive and significant effect on the loan repayment performance of the Youths Revolving Fund in selected areas at a 5% level of significance other variables remain constant. The results indicate that because lack entrepreneurial borrowers are is 15% more likely not to perform loan repayment in the selected area as compared to the references groups. The result is in line with Mohammed and Wobe (2019), Modisagae and Ackermann (2018), Garomsa (2017), and Muli (2016).

The finding (Table 4) shows that the level of education influenced has a positive and statistically significant effect on YRF loan repayment performance and its sustainability at a less than a 5% level of significance in the selected area. The result indicated that level of education influenced 80% more likely not to perform YRF loan repayment keeping other variables constant. The result is consistent with French and McKillop (2016), and Wamalwa (2016), which found that borrowers with a low level of education were more committed and better in repaying loan than those educated borrowers through financial education important in preventing loan defaults. In addition to this, the feedback result from the interview also shows that a high number of defaulters are accounted for by graduates of higher institutions that have no business experience and opt to divert the loan for another purpose. Those with elementary and high school dropouts were performing loan repayment better than the graduates of higher institutions. However, the current result is contracted with Mohammed and Wobe (2019), Li and Hu (2019), Salifu et al. (2018), Geleta (2018), Oringoa et al.(2016), and Muli (2016) which found that the higher level of education, experience the better the loan repayment performance and vice versa.

The current study revealed that knowing other group members have a positive and statistically significant effect on YRF loan repayment performance and its sustainability at a less than a 5% level of significance in the selected area. This result is supported by Sangwan et.al (2020), which showed clearly that borrowers that have higher social cohesiveness and joint liability are likely to be less delinquent on their loans and when a group is made up of people from different socioeconomic backgrounds, cohesion suffers. The interview reflation also confirmed that when group members know others very well another group member continuously creates a sense of belongingness and interconnection which has a positive effect on YRF loan repayment.

Table 4 Ordinal logistic regression model result (Listcoef, help)

YRF repayment & sustainability	Coef.	S. e.	Z	P-Value	OR/Exp(β)
Spouses have strong influence on loans borrowed	0.365	0.1266	2. 88	0.014	**1.4405****
Single group members are more able to repay their loans promptly than the married ones.	0.348	0.1183	2.75	0.006	**1.4162****
Age of the borrower's determining the loan repayment.	0.459	0.2921	3.88	0.000	**1.5825*****
Female group members are more honored their loan repayments.	-0.327	0.2944	-1.12	0.263	0.7211
Entrepreneurial skill and experience have positive effect on the loan repayment performances.	0.616	0.1276	2.09	0.036	**1.8515****
The level of education influenced the loan repayment performances	0.787	0.1102	6.17	0.000	**2.1968*****
Knowing other group members has positive effect to build cohesiveness among members.	0.622	0.1750	3.55	0.025	**1.9387****
Amount of the fund borrowed	-8.444	0.1468	-0.11	0.911	0.000
Number of group member	-0.057	0.1410	-0.39	0.566	0.9446
S.e = Standard error; OR = Odd ratio Number of Obns = 301 LR chi2(9) = 199.95 Prob > chi2 = 0.0000 Pseudo R2 = 0.2148 Log likelihood = -365.42277 ***<=1% and **<=5% level of Significance					

Source: Survey Data (2021)

4.4.1. Summary of Ordinal Logit Regression Model Outcome

The results in Table 4 the coefficient of the variables, standard error, Z-score, OR/Exp(β), and significance level (P-value) of the output of the ordinal logistic regression model. The results indicated that the spouse influence had a P-value 0.014(0.014 < 0.05), marital status of borrower's had a significant level of 0 .0006 (0.006< 0.05), age of the borrower's had a significant level of 0.000(0.000 < 0.05), entrepreneurial competences had a P-value of 0.036(0.036<0.05), the level of education had a P-Value of 0.000(0.000<0.05), and Knowing other group members had a significant level of 0.025(0.025 < 0.05). On the other hand, the gender of borrowers, amount of the fund borrowed, number of group member had p-values of 0.263, 0.911 and 0.566 respectively which show that are all the three variables have > 0.05 level of significances. According to these results, Spouse influence (Ho1), marital status (Ho2), age of the borrower's (Ho3), entrepreneurial skill and experience (Ho5),

the level of education (Ho6) and knowing other group members (Ho7) show the existence of statistically significant associations between them and YRF loan repayment performances and its sustainability and their respective null hypothesis were rejected. However, the gender of borrowers (Ho4), amount of the fund borrowed , and number of group member had significant level greater than > 0.05) which shows these variables have no statistically significant association with loan repayment performances and sustainability of YRF in Oromia Regional State, Ethiopia and their respective null hypothesis fail to rejected.

4.5. Test of Operating Self-sufficiency Ration (OSSR)

As depicted in Table 5, the total amount matured to date was assigned (a), the total amount of fund recovered assigned (b) and loan cost was assigned (c) which in the current study was 3% of the total amount matured to date. Using Guntz (2011) formula the operation self-sufficiency for the year 2018 - 2020 can be computed as follows.

Table5. Summary of YRF outstanding balance of amount Lent out, amount matured and the amount recovered (OCSSCo 2017/2018 to 2020/2021 report)

Year	Outstanding Balance End of Reporting Period	Amount Matured (a)	Amount Recovered (b)	Loan Cost (3%) (c)	Recovery Rate
2016/2017	1,559,943,948.00.	Year of commencement(initial fund release- no data recovered)			
2017/2018	2,402,855,472.09	335,099,641.89	206,920,994.12	10,052,989.26	62%
2018/2019	1,920,226,645.21	680,180,396.84	278,746,205.18	20,405,411.91	41%
2019/2020	1,911,095,332.74	794,445,450.97	467,555,371.13	23833363.53	59%

Source: Survey Data (2021)

$$(OSSR_{2020}) = \frac{b}{a+c} \qquad (4.1.)$$

$$(OSSR_{2020}) = \frac{b}{a+c} = \frac{467,555,371.13}{794,445,450.97+23,833,363.53} = \underline{\textbf{0.57:1}}$$

$$(OSSR_{2019}) = \frac{b}{a+c} = \frac{278,746,205.18}{680,180,396.84+20,405,411.91} = \underline{\textbf{0.40:1}}$$

$$(OSSR_{2018}) = \frac{b}{a+c} = \frac{206,920,994.12}{335,099,641.89+10,052,989.26} = \underline{\textbf{0.60:1}}$$

OSSR < 1 (Not sustainable)

The result (Table 5) revealed that OSSR (0.57:1) is less than 100% and even about half less than 100% which showed the absence of sustainability of YRF. Similarly, the Operating Self-Sufficiency Ratio

(OSSR) of the years 2019 and 2018 were 0.40:1 and 0.60:1 respectively (Appendix 3) which was a symptom of the non-sustainability of youth revolving fund loans. The finding revealed the unsatisfactory movement of OSSR from 0.60:1 in 2018 to 0.40:1 in 2019 and 0.57:1 in 2020. This was due to increased and fluctuating default rates from year to year. This fact is also supported by the finding of Zeller and Meyer (2002) who stated that low repayments rate or unrealized earnings of the funds promised by government or donors.

This unsatisfactory result of the Youth Revolving Fund loan OSSR as per Oromia Credit and Saving Share Company (OCSSCo) report was due to a high rate of default that emanated from miss-consideration about the fund by beneficiaries as though it will not repayable, lack of implementing proper loan follow up or poor loan follow up and monitoring before and after loan disbursement, poor client screening, poor business appraisal, failure to take legal actions on those who can able to pay but unwilling, political instability in the region and inconsistent record of outstanding balance(OCSSCo report, 2018: p. 36 and 2019:p.49).

5. Conclusion and Policy Implications

This study examined the effect of borrowers' characteristics on loan repayment performance and sustainability of youth revolving in Oromia Regional State, Ethiopia. From the data results and discussion, there is strong evidence to conclude the effect of the borrower's characteristics on loan repayment performance and sustainability of youth revolving in Oromia, Ethiopia. The ordinal logistic regression model result and interview feedback results showed that factors related to borrower's characteristics such as spouses influence, married group members, age of the borrower, and the level of education and knowing other group members have a statistically significant effect on loan repayment performances and sustainability of YRF at less than 5% level of probability. The findings show that spouses have a strong influence on loans repayment to the extent of leaving their houses after receiving loans to avoid payments, married borrowers were more defaulters than singles, the higher the age of the borrower, the higher probability loan default, the level of education influenced the loan repayment performances (the higher the level of education the higher the rate of loan default) have negatively affected the loan repayment performances and sustainability of YRF. Whereas, knowing other group members have a positive effect on loan repayment performances. Finally, it was concluded that failure to give due attention to borrowers' characteristics can create an open chance for increased loan defaults, which resulted in YRF unsustainability (OSSRs were much <100%) and can also hamper the level of youth unemployment.

Therefore, government and Oromia Credit and Saving Share Company (OCSSCo) should reconsider and incorporate in the policy and the regulations the borrowers' characteristics may manage in order to enhance Youth Revolving Fund loan repayment performance and to secure its sustainability. MSEs and OCSSCO should evaluate the candidates for YRF loan past track record (their characteristics in their community) and support the loan with a character certificate from Kebele with a surety (person who signs to take responsibility and accountability) on behalf of the candidate for any default that may be committed. Checking the creditworthiness of the borrowers through business plan viability and securing collateral to encourage youths to pay attention the fund utilization and should also make a continuous follow-up of borrowers' proper fund utilization and progress of their business and provide some technical support to undermine the defaulting rate of borrowers. Furthermore, encourage candidates to form a group with those with whom they know each other very well and are willing to pay their partners to share in case he/she defaults on the loan.

5.1. Areas for further studies

The current study has some limitations that were not covered in this study but can be an opportunity for future research. Accordingly, the following are areas of recommendation for further studies:

1. It would be critical to examine how the zones with high YRF loan repayment rates have been able to manage the challenges investigated in the current study.
2. There is a need to do a comparative study on the effect of borrower characteristics on loan performance and the sustainability of YRF urban and rural beneficiaries.

5.2. Limitation of Study

Similar to any other studies, the current study is not free of limitations. The resistance to fill questionnaire by some respondents because of fear problems of COVD-19 and difficulty to get respondents in sample zones as they hide from the sight of government officials and OCSSCo employees or changed their living places to escape from loan repayments were among the major limitation of this study.

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