



Research Article

Volume-03|Issue-10|2022

An Analysis of Financial Literacy and Its Effect on Loan Repayment Performance of Members (The Case of Weltane Ambo Saccos Union) Of West Shoa Zone, Oromia Regional State, Ethiopia

Dereje Girma Balami *

Asst.Professor, Department Of Cooperatives, College of Business and Economics, Ambo University

Article History

Received: 05.10.2022

Accepted: 20.10.2022

Published:30.10.2022

Citation

Balami, D. G. (2022). An Analysis of Financial Literacy and Its Effect on Loan Repayment Performance of Members (The Case of Weltane Ambo Saccos Union) Of West Shoa Zone, Oromia Regional State, Ethiopia. *Indiana Journal of Arts & Literature*, 3(10), 22-35.

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, it plays a critical role in Savings and Credit Co-operative Societies (SACCOs). SACCOs are vital financial institutions that encourage thrift to give loans to members; however, Loan Repayment (LR) poses a threat to SACCOs' sustainability. The main objective of this study was to analysis effect of financial literacy on loan repayment. Specifically, the study - (i) examine the effect of financial budgeting literacy on loan repayment in the study area. (ii) Evaluate the effect of debt management literacy on loan repayment in the study area. (iii) Assess the current loan repayment status of WASACCOsU. The study adopted descriptive quantitative research design. A sample of 116 from a population of 279 which comprised of Weltane Ambo SACCOs Union was calculated using Yamane's formula. Purposive and simple random sampling techniques were used in choosing population and issuing questionnaires respectively. A survey, interview and Focus Group Discussions (FGDs) were data collection methods. Multiple regressions and Correlation were used to analyse quantitative data while qualitative data were analysed using SPSS software Version 20 and presented in form of tables and graphs. Correlation and regression analysis techniques were used to study the relationship and the effects of financial literacy factors on loan repayment among WASACCOsU. The findings revealed a high positive correlation between member attitude, budgeting and debt management literacy and loan repayment. Moreover Rsquared was 78.2% meaning that the financial literacy factors accounted for greater percentage of loan repayment variations. The study recommended that SACCOs should initiate more financial literacy education to members and training to committee members and employees to reach all members and encourage all members to attend such trainings. The SACCOs should also employ high qualified trainers to offer quality training to the members. The study recommendations are resourceful to both private and public sectors especially local governments and WASACCOsU to come up with strategic policies that will encourage loan repayment among SACCOs..

Keywords: Budgeting Literacy, Financial Literacy, Loan Repayment, WASACCOsU

Copyright © 2022 The Author(s): This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC BY-NC 4.0).

INTRODUCTION

Savings and Credit Cooperatives (SACCOs) in Ethiopia are playing an active role both in rural and urban areas. Their numbers has increased from time to time and they considered having immense potential in financing the short term loan (Tesfamariam, 2015).SACCOs are unique financial institutions operating in the financial market. Their uniqueness is brought about by the fact that members come together voluntarily; they put their savings in a pool which then enables them to access loans to solve their individual needs. Saving and credit cooperatives societies (SACCOs) are form of cooperatives offering financial services in form of loans but loan repayment poses a threat. SACCOs improve member's financial knowledge through members' education on MEMBERS FINANCIAL LITERACY (MFL). (Metto,2020). According to Hailekiros Nigus Adhana (2020) the terms financial education, financial capability, and financial literacy are interchangeably used in the literature, and so are the reasons for not having a concise definition and concept.

Correspondingly, many other studies itemized different concepts as dimensions of financial literacy.

Moreover, another most recent study framed financial literacy in terms of three aspects; financial knowledge, financial behaviour and financial attitude. Financial literacy remains an interesting in both developed and developing countries, and has elicited much interest in the recent past with the rapid change in the finance landscape. It helps in empowering and educating consumers so that they are knowledgeable about finance in a way that is relevant to their lives and enables them to use this knowledge to evaluate products and make informed decisions. Financial literacy facilitates the decision making processes such as 2 payment of bills on time, proper debt management which improve credit worthiness of potential borrowers to support livelihoods, economic growth, sound financial systems and poverty reduction (Wachira, 2012) Financial literate people are able to plan or budget, they at least have a trace of their financial activities because of their book keeping literacy, they are able to manage debts to avoid bad debts and prevent non repayment of loans and also have the courage to go for financial negotiation when they feel that they need better terms from the financial providers.

Hence, they greatly participate in the market of finance (Wanjiku, 2017) Financial literacy on the other

hand is the ability to apply the knowledge and make effective decisions on money management, book keeping budgeting and negotiation without fear. These aspects enable ones to invest wisely. A financially literate person is the one who has the financial knowledge, skills and confidence required in making financial decisions that are of key important to them (Wanjiku, 2017). Combination of awareness, knowledge, skills, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing” (OECD INFE, 2011). 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 ahead, or understand how financial products can help meet savings goals. (Tuyisenge et al., 2015). This project try to analyse the effect of financial literacy on the repayment performance of members in case of Weltane Ambo SACCOs Union.

Description of The Study Area

Weltane Ambo SACCOs Union is found in Ethiopia, Oromia Regional State West Shewa Zone in Ambo Town. It started by the 36 primary SACCOs Found in Urban and Rural area within 1,427 male and 1,496 female. It started by the by the total members of 2,923 within the starting capital of 166,705 Birr in January, 2003 E.C. Up to May, 2012 E.C it has 269 Primary SACCOs with total members of 15,824 from this 9,407 and 6,417 are Male and female respectively. At this time it have the capital of Birr 5,006,4332.74 and Saving amount of Birr total 29,916,268.82. The main Objective of Weltane Ambo SACCOs Union is to increase the members in Finance and promote them to the investment and accountability, promote saving culture of the members and assess important projects to participate the members from the project. This SACCOs union works in many activities like, giving long, medium and short loan, for non-members also it give a loan, insurance service, training service etc. It have short term plan to increase saving amount up to 30%, provide other share ,giving training for members ,employers and managers and insurance service. In addition it has a long term plan to give money transfer service, ATM service and rural banking service. (WASACCOsU, 2020).

Research design

According to Baron and Kenny (1986), a research design is a plan or blue-print which specifies how data relating to a given problem should be collected and analyzed. The research design in the study was descriptive research which comprises quantitative method. It involves description of effect of financial literacy on loan repayment among Weltane Ambo SACCOs Union. Data was collected and coding done on various questions hence it was came up with quantitative

data 29 which was be analyzed. The sample was used to do inference after analyzing and discussing the data collected.

Determination Of Sample Size

The numbers and locations of selected primary SACCOs for this study have already determined on the basis of the primary SACCOs profile were obtained from Waltane Ambo SACCOs Union. The sample units were selected for this study by using purposive sampling from the frame sample. Those are the borrowers of the SACCOs members only. The total population within the specific areas is 276 which will borrowers only. i.e. members of Ifa Ambo primary SACCOs is 67, members of Abdi Primary SACCOs is 40, members of Lelistu primary SACCOs is 66 , members of Jabegna Primary SACCOs is 66 and members of Gemechu primary SACCOs is 37. Therefore, for determination of the sample size, the researcher used Yamane, (1967) formula as follows.

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

Where; n= sample size 31 N=total population
a= error factor (0.05)² So the sample from five primary SACCOs, n =)² = 276 1+276(0.05)² 254 Respondents would be included in study population as sample unit Targeted population for this study is 116

RESULTS AND DISCUSSION

This chapter discusses the analytical results of the study. The first section of this chapter presents the descriptive statistics results of the study. This chapter discusses the interpretation and presentation of the findings obtained from the field. Descriptive and inferential statistics have been used to discuss the findings of the study.

The study targeted a sample size of 319 members of WASACCsU from which 116 filled in and returned the questionnaires making a response rate of 100%. This response rate was satisfactory to make conclusions for the study. According to (Wambui & Gichuho, 2013), a response rate of 50 percent is adequate for analysis and reporting; a rate of 60 percent is good and a response rate of 70 percent and over is excellent. Based on the assertion, the response rate was considered to be excellent. The response rate was 100% because the questionnaire distributed to members were 122 to reduce non response.

The Results of Descriptive Analysis

For descriptive statistics analysis, tools such as mean, percentage, standard deviation and frequency distribution were used.

Back Ground of the Respondent

Table 1. Gender, age and educational level of the respondent

N o	Variables	Categories	Loan repayment		In number	Total
			Timely	Lately		
1	Gender	Male	30(53.6%)	26(43.4%)	56	116
		Female	53.3%(32)	46.7(28)	60	
2	Age	18-30	60%(12)	40%(8)	20	116
		25-30	42.2(19)	57.8(26)	45	
		30-35	55%(22)	45%(18)	40	
		35 above	81.8%(9)	18.2%(2)	11	
3	Educational level	Certificate	10.3%(4)	89.7%(35)	39	116
		Diploma	31.2%(5)	68.8%(11)	16	
		Degree	80%(24)	20%(6)	30	
		Masters	92.3%(24)	7.7%(2)	26	
		PHD	100%(5)	0.00%(0)	5	

Source: Author survey data, 2021

Gender differentials were playing a significant role in the loan repayment performance. It is assumed that female borrowers are more than male borrowers. The result of the study shows that from the total 116 respondents, 55 frequencies in number and by percent (48%) were male and 60(52%) was females. Age of borrower in years and It is a continuous variable in which the younger the age the higher may be his/her productivity, knowledge and the higher or the older the age the lower may be his/her productivity and this leads to successful loan repayment and default respectively. On the other hand, the older person may have a lot of experience on business, which may lead to successful loan repayment, and the younger one may have limited experience attributed to his age and this may lead to unsuccessful loan repayment. Hence, age contribution to successful loan repayment performance of the private borrowers cannot be predetermined. Age of the respondent is one of the factors which affect loan repayment. As the age progress; respondents' acquired experience and knowledge. Most of respondents who took loan are aged between 25-30 at 38.8% followed by 30-35 at 34.5%, 18-30 at 17.2 and 35 and above at 9.5%. This factor is expected to have a positive impact in successful loan repayment performance, because higher educational levels enable borrowers to comprehend more complex information, keep business records, conduct basic cash flow analysis, and make the right business decision. Hence, borrowers with higher level of education may have higher repayment rates.

Education is a social capital which has a positive impact on household ability to understand and utilize new technological information and also to know their rights and obligations. It can help them to understand their rights to borrow from SACCOs and also their obligation to repay their debt on time. But lack of education and poor awareness level thereof may be a bottleneck to manage the input credit and repay on the stated repayment date. The survey result indicated that

out of the total 116 respondents, the majority of the respondents are literate 28 (24.1%) were certificate , 19(16.4%) were Diploma level , 38(32.8) were Degree level , 26(22.4%) were masters level and 5(4.3%) were PHD holders. From this table we understand the majority of the members were literate.

The other important point is that 53.3% of responses were pay their loan timely and the other females 46.7% of respondents were lately. 53.6% of male respondents were pay their loan within a time means timely and others male respondents (46.4%) were lately. From 18-30 age group 60% pay their loan timely and the left members 40% were lately. From 25-30 age group 57.8% pay their loan lately and 42.2% of respondents were pay their loan lately. From 30-35 aged group 55% of respondents pay their loan timely and the left 45% were lately and from 30-35 aged group 81.8% of respondents pay their loan timely and 18.2% of respondents pay their loan lately. From this as age increase payment of loan was increase and the respondents were paid their loan timely.

From certificated respondents only 10.3% paid their loan timely the majority were paid their loan lately. When we see the respondents whose diploma level 31.2% were paid their loan timely and 68.8% were paid their loan lately. On degree level majority of respondents 80% were paid their loan timely and 20% were lately and the master's level respondents were paid their loan timely by more percent 92.3% timely and 7.7% were lately. PHD level respondents' were paid their loan timely all in all. As the knowledge of respondent increase the ability to pay their loan is increase.

As shown in fig 4.1 above the majority of members have account number or pass book from their SACCOs 77(64.2%),37(30.8%) from the bank , 4(3.3%) from other and 2(1.7%) none of the two.

Table 2. Respondents Response on Their SACCOs loan Request

How long does applicant receive loan once requested?	Category	Frequency(N)	Percent
	0-2 months	16	13.8
	2-4 months	24	20.7
	4-6 months	41	35.3
	Over 6 months	34	29.3
	Accordingly	1	0.9
	Total	116	100
Do you have enough saving to meet loan request?			
	Yes	62	53.4
	No	54	46.6
	Total	116	100

Source: Author survey data, 2021

From the above table there are around two questions raised for members and also there is the respondents answer accordingly. At the beginning applicants receive a loan once request between 2-4

months as more respondents 41(69.8%) responded. 62(53.4% members have enough saving in their SACCOs as they respond and 54(46.6%) were not.

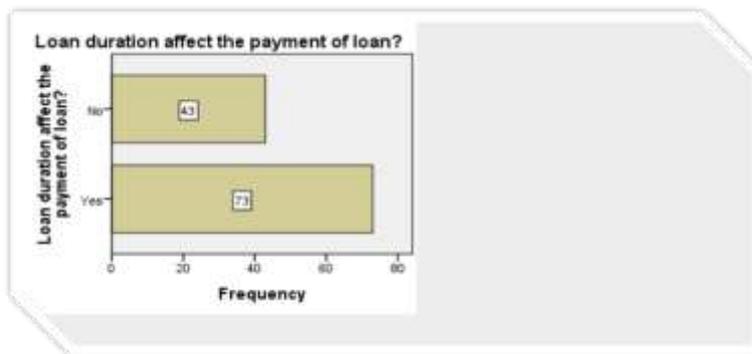


Figure 1. Does Loan duration affect the payment of loan?

Source: Author survey data, 2021

As shown on the above table loan duration affect the payment of loan as majority of respondents 63% of respondents replied “Yes” the question they

asked on “does loan duration affect the payment of loan?” Other respondent’s means 37% of respondents’ replies as the loan duration cannot affect loan repayment.

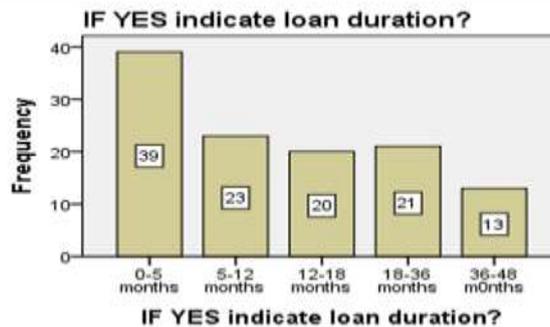


Table 2. Indication of loan duration affects loan repayment

Source: Author survey data, 2021

From the above figure as majority of respondents 39(33.6%) of respondents replied loan duration affect loan repayment from 0-5 months, 19.8% , 17.24%,18%,11% or respondents replied as 5-12

months,12-18 month , 18-36 months and 36-48 month respectively.

Financial Literacy Training

From the following the society were not organize financial training as majority of respondents 68% replies ‘Yes’ the answer. Another respondents 48% respond ‘No’ the question they asked on Weather their SACCOS organize financial training or not.

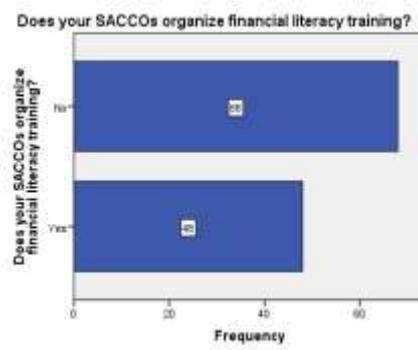


Fig 3. Financial Literacy And Loan Repayment
Source: Author survey data, 2021

Table 3. Possession of Finance literacy

Statements	Never	Rarely	Sometimes	Often	Always
I have a personal bank account	8(6.9%)	13(9.5%)	21(19.8%)	33(28.4%)	41(35.3%)
I have business account	32(27.6%)	19(16.4%)	26(22.4%)	24(20.7%)	15(12.9%)
I regularly bank my takings on daily basis	24(20.7%)	19(16.4%)	28(24.1%)	25(21.6%)	20(17.2%)
I have skill on why I choose SACCOS	13(11.2%)	7(6.0%)	26(22.4%)	28(24.1%)	42(36.2%)
I often prepare business plan	33(28.4%)	23(19.8%)	33(28.4%)	22(19%)	5(4.3%)
I have skill on knowing my asset and liability	11(9.5%)	18(15.5%)	19(16.4%)	29(25%)	39(33.6%)
I have skill on knowing my balance	10(8.6%)	17(14.7%)	20(17.2%)	46(39.7%)	23(19.8%)

Source: Author survey Data, 2021

The respondents were asked to what extent they know the financing skill. The scale of measurement was 1, Never 2, Rarely 3, Sometimes 4, Often and 5, Always. The table 4.7 above shows that most respondents possess to often extent and to always extent the financing skills since the two have relatively higher percentages for all the financing skills tested. The more respondents frequencies in number of 41 (35.3%) have personal

accounts always, 32(27.6%) have never business account , 42(36.2%) respondents always they know why they choice SACCOS , 33(28.4%) never prepare business plan and 33(28.4%) respondents prepare business plan , the very few 5(4.3%) respondents were prepare business plan always. 39(33.6%) respondents replies as they have skill on knowing their asset and liability and 46(39.7%) often know their balance.

Table 4. Budget Literacy Of Respondents

Does your household have budget?	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	51	44	44	44
No	34	29.3	29.3	73.3
Don't know	17	14.7	14.7	87.9
Refuse	14	12.1	12.1	100
Total	116	100	100	
What is Main source of income in your house?				
Wage or salary	58	50	50	50
Self-employed earning	34	29.3	29.3	79.3
Allowance	7	6	6	85.3
Pension	8	6.9	6.9	92.2
from family	6	5.2	5.2	97.4
from other	3	2.6	2.6	100
Total	116	100	100	
Which best describe the extent to which you monitor your personal expense?				
I don't keep an eye on expenses at all	29	25	25	25

I keep my eye on expenses a bit	33	28.4	28.4	53.4
Without keeping written records, i keep a fairly close eye on expenses	21	18.1	18.1	71.6
I use written records to keep a close eye on expenses	26	22.4	22.4	94
Don't know	5	4.3	4.3	98.3
Refuse	2	1.7	1.7	100
Total	116	100	100	

Source: Author Survey Data, 2021

As shown on above table the more respondents 51(44%) replied as their household have budget and the left members 34(29.3%) replied as their house hold has not budgeted, 17(14.7%) members don't know their budget and 14(12.1%) members were refused about it. Generally we conclude from this only less than have members only know about budget and others are not budgeted for their household. As majority of members 58 (50%) of respondents respond the main source of respondents were Wage and salary 34(29.3%) replied as Self-employed. The respondent respond on question'

which best describe the extent to which you personally monitor your regular expense?' more of respondents 33(28.3%) respond that they keep their eye on expenses a bit and 29(25%) respondents as they don't keep an eye on the expenses at all. The other respondents 26(22.4%) respondents replied that they use written records to keep a close eye on expenses, 21(18.1%) respondents without keeping records they keep a fairly close eye on expense and other very few members' replies as they don't know and refused respectively.

Table 5. Possession Of Status Of Respondents Budgeting Literacy Of Saccos

Statements	Very great extent	Great extent	Moderate extent	Low extent	Very low extent
Knowledge on Budget preparation	21(18.1%)	15(12.9%)	20(17.2%)	38(32.8%)	22(51.7%)
Knowledge on budget control	18(15.5%)	28(24.1%)	36(31%)	26(22.4%)	8(6.9%)
Prudence in spending	8(6.9%)	33(28.4%)	40(34.5%)	24(20.7%)	11(9.5%)
Knowledge on ability to do forecasting	11(9.5%)	50(43.1%)	29(25%)	22(19%)	4(3.4%)
Knowledge on conducting internal audit	10(8.6%)	58(50%)	26(22.4%)	14(12.1%)	8(6.9%)

Source: Author survey data, 2021

Budgeting is tracking your expenses gives you a strong sense of where your money goes and can help you reach your

financial goals. The above table shown that, in average the budgeting literacy of the SACCOs was great extent. On budget preparation more members 38(32.8%) replied as very low extent on budget control respondents moderate 36(31%), on prudence in spending 40(34.5%) moderate extent , on ability to do forecasting 50(43.1%) great extent and on knowledge on internal control have respondents 58(50%) replied as great extent. Thus, we understand that the respondents 21(18.1%), 15(12.9%),

20(17.2%), 38(32.8%) and 22(51.7%) replied as very great extent , great extent, moderate extent, Low extent and Very low extent respectively on budget preparation of SACCOs. On budget control 18(15.5%), 28(24.1%), 36(31%), 26(22.4%) and 8(6.9%) respondents replies as very great extent , great extent, moderate extent, Low extent and Very low extent respectively.

Table 6. Possession Of Debt Management Literacy

Statements	Very great extent	Great extent	Moderate extent	Low extent	Very low extent
Knowledge on loan and other credit	19(16.7%)	30(25.9%)	24(10.4%)	37(31.9%)	6(5.2%)
Knowledge on interest rate	12(10.3%)	40(34.5%)	14(12.1%)	43(34.1%)	3(2.6%)
Knowledge on loan repayment and effect of default	10(8.6%)	15(12.9%)	46(39.7%)	41(35.3%)	4(3.4%)

Discussion with financial providers during financial crisis	14(12.1%)	40(34.5%)	17(14.7%)	44(37.9%)	1(0.9%)
--	-----------	-----------	-----------	-----------	---------

Source: Author survey data, 2021

Lastly the researcher assessed the respondents on various debt management skills on a scale of 1 to 5 where 1. Very great extent 2. Great extent 3. Moderate 4. Low extent 5. Very low extent. The findings indicate that

most respondents agreed Great extent and great extent possession of debt management skills while very few agreed to a very low extent.

Table 7. Extent To Which Debt Management Skills Affect Loan Repayment Behaviour

		Frequency	Percentage
To what extent debt management affect loan repayment?	Very great extent	17	14.7
	Great extent	42	36.2
	Moderate extent	34	29.3
	Low extent	21	18.1
	Very low extent	2	1.7
Total		116	100

Source: Author survey data, 2021

The above table shows that the 17(14.7%) of respondents support very great extent on debt management skill affect loan repayment, 34(29.0%) respondents support Great extent, 21(18.1%) support low

extent, 2(1.7%) of respondents support very low extent. While, the majority of respondents 42(36.2%) of respondents support Moderate extent.

Table 8. Respondents Respond on their some attitude and Behaviour statements

Statements	Strongly Agree	Strongly Disagree
Before i buy something i carefully consider whether i can afford it	85(73.3%)	31(26.7%)
I tend to live for today and let tomorrow take care of itself	31(37.1%)	84(62.9%)
I find it more satisfying to spend money than to save it for the long term	49(42.2%)	67(57.8%)
I am prepared to risk some of my own money when saving or making an investment	65(56%)	51(44%)
I keep a close personal watch on my financial affairs	47(40.5%)	69(59.5%)
I pay my bills on time	99 (85.3%)	17(14.7%)
I set long term financial goals and strive to achieve them	57(49.1%)	59(50.9%)
Money is there to be spent	63(54.3%)	53(45.7%)

Source: Author survey data, 2021

As shown on the above table 85(73.3%) of respondents were carefully consider whether they were afford it before the buy something and others 31(26.7%) respondents were not. 31(37.1%) off respondents were agreed as 'I tend to live for today and let tomorrow take care of itself' and majority of respondents 84(62.9%) were disagreed. 49(42.2%) of respondents were satisfying to spending money today than save it for long term, however the majority of respondents 67(57.8%) were disagreed on it. 65(56%) of respondents were prepared to risk some of their own money when saving or making an investment and other respondents 51(44%)

were not. This implies even majority are save but the more are not save money for risk time. 69(59.5%) of respondents were not keep a close personal watch on their financial affairs but others 47(40.5%) of respondents were keep a close personal watch on their financial affairs. The majority of respondents 99 (85.3%) were pay their bill on time few respondents were not pay their bill on time as we seen from the above table. 59(50.9%) of respondents were set long term financial goals and strive to achieve them and others 57(49.1%) were not set a goal. 63 (54.3% of respondents

replied as money is there to spent and others respondents were replied as money is there no be spend.

Interview Discussion

The FGD questions rose for the committee, loan officers and managers of the SACCOs. On this as loan officers explain his idea on loan repayment the loan repayment was very good. The members pay their loan within a time except for some members. The committees believe on importance of financial literacy training because the members must know the knowledge on their use of money. Financial literacy help the members know the difference between other Banks and their organization. However , the members was not answer the question asked on ‘By how much you got a loan’ even

their answer were different from one member to other . One answers as 12.5%, others as 11% and others also as 10%, so financial literacy may important for members exactly to know by what amount they take loan. Otherwise they may prefer other organization.

As we discuss with Experts Financial education is more than teaching people about budgeting their money and keeping a household account. Most programs cover basic budgeting, savings and investment. It is good if middle-class office workers mostly concentrate on retirement planning and saving for investment. Programs that reach rural households mostly concentrate on basic budgeting.

Correlation Analysis

Table 9. Correlation Between Finance Skills And Loan Repayment

Correlations		Finance Literacy	loan repayment
finance literacy	Pearson Correlation	1	.692**
	Sig. (2-tailed)		.000
	N		116
Loan repayment	Pearson Correlation	.692**	
	Sig. (2-tailed)	.000	
	N		116

Source: Author survey data, 2021

The correlation coefficient between finance literacy and loan repayment is 0.692 at 0.01 significance level as shown on the above table. This implies that there is positive association between finance literacy and loan

repayment. Finance literacy is therefore an almost high predictor of loan repayment backed by the 0.000 significance level. The relationship was 69.2 %.

Table 10. Correlation between Budgeting literacy and loan repayment

Correlations		Loan Repayment	Budget
Loan Repayment	Pearson Correlation	1	.644**
	Sig. (2-tailed)		0.005
	N	116	116
Budget	Pearson Correlation	.644**	1
	Sig. (2-tailed)	0.005	
	N	116	116

Source: Author survey data, 2021

The correlation coefficient between budgeting literacy and loan repayment is 0.644 at 0.05 significance level as shown in the above table. This implies that there is positive association between budgeting literacy and

loan repayment. Finance literacy is therefore an almost high predictor of loan repayment backed by the 0.000 significance level. The relationship was 64.4%.

Table 11. Correlation between Debt management literacy and loan repayment

Correlations		Loan Repayment	Debt L
Loan Repayment	Pearson Correlation	1	.350**
	Sig. (2-tailed)		0
	N	116	116
Debt L	Pearson Correlation	.350**	1
	Sig. (2-tailed)	0	
	N	116	116

Source: Author survey data, 2021

The correlation coefficient between budgeting literacy and loan repayment was 0.350 at 0.05 significant

levels as shown in the above table. This implies that there is positive association between budgeting literacy and

loan repayment. Finance literacy is therefore an almost high predictor of loan repayment backed by the 0.000 significance level. The relationship was 35%.

REGRESSION ANALYSIS

The researcher conducted a multiple regression analysis so as to test relationship among budgeting literacy, financing skill and credit management literacy against loan repayment rate. The research applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study. The correlation analysis tells us the degree and direction of association between two variables but it does not give the magnitude of change of dependent variable due to a change in an independent variable. Regression analysis therefore tells us the direction and magnitude of change of dependent variable

due to a unit change in independent variable. The dependent variable in this study is Loan repayment while independent variables are book keeping literacy, budgeting literacy and debt management literacy. The researcher employed regression analysis approach to study the magnitude of change of loan repayment due to a unit change in finance skill (literacy) literacy, budgeting literacy and debt management literacy. The model summary results in table 4.15 indicate that the value of R squared is 0.692 which is equivalent to 69.2%. The significance value of 0.000 in the ANOVA table 16 indicates that the model fit is a good predictor of the variables under study. The coefficients of the independent variables are shown in table 4.17 which shows that β_0 , β_1 , β_2 and β_3 are 0.015, 0.587, 0.084 and 0.239 respectively. Hence the model adopted for this study can be fitted as, $= 0.015 + 0.587X1i + 0.084X2i + 0.239X3$.

Model Summary

Model Summary			Std. Error of the Estimate	
Model	R	R Square	Adjusted R Square	Estimate
1	.889a	.782	.787	.38103

a. Predictors: (Constant), debt management literacy, budgeting literacy, attitude skill

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	61.993	3	20.664	142.403	.000a
	Residual	18.284	126	.145		
	Total	80.277	129			

Source: Author survey data, 2021

Model Coefficients

Coefficients a	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
Model 1	.015	.145		.109	.003
(Constant)					
Finance skill	.587	.080	.562	7.510	.000
budgeting literacy	.084	.050	.110	1.865	.043
debt management literacy	.239	.052	.293	4.669	.000

Source: Author survey data, 2021

DISCUSSION

The study sought to assess the influence of financial literacy factors on loan repayment WASACCOsU. The study focused on member's financial literacy, budgeting literacy and debt management literacy as the main categories of financial literacy.

Influence Of Finance Literacy On Loan Repayment

The study found a positive significant effect of finance or members attitude on their SACCOs literacy on loan repayment among WASACCOsU. Most respondents agreed to a always extent that finance skills have influenced their loan repayment behaviour. The correlation analysis results shows that the correlation coefficient between book keeping skills and loan repayment is 0.692 with sig value of 0.000. This suggests that finance literacy has a strong positive association

with loan repayment. The regression coefficients results further indicate that the coefficient of finance literacy is 0.587 which implies that if finance skill literacy increase by one unit, the performance of SACCOs in terms of loan repayment will increase by 0.587 units and vice versa. Therefore there is a strong positive significant relationship between finance literacy and loan repayment. These findings are similar to the ones of Tuyisenge (2015) who found a positive significant effect of book keeping literacy on loan repayment in Rwanda but are against the findings of Kariuki and Wanjiku (2015) who found that all the facets of financial literacy does not have any significant influence on loan repayment. The aim of this study was to examine the relationship between finance literacy in SACCOs and loan repayment; this was in the light of dwindling LR in SACCOs. Financial literacy variable was tested on LR because literature reviewed (Lusardi, 2019; World Bank, 2018; Wanjiku and Muturi, 2017) hints at a possibility of a relationship between the two.

Influence Of Budgeting Literacy In Loan Repayment

Budgeting literacy is the possession of skills and knowledge to set financial goals, prepare and use budgets to monitor financial performance of a business (LUSIMBO, 2016). The second specific objective of this study was to determine the influence of budgeting literacy on loan repayment among small medium entrepreneurs. Most of the respondents agreed to a moderate extent that the budgeting literacy skills have influenced their loan repayment pattern. The correlation coefficient of 0.644 between budgeting literacy and loan repayment with sig value of 0.000 indicates a strong significant positive association between budgeting literacy and loan repayment among small medium entrepreneurs. This further suggests that when small medium entrepreneurs gain budgeting skills their loan repayment pattern improves.

The coefficient of regression for budgeting literacy was found to be 0.084 with a significance of 0.043 which is less than 0.05. This implies that a one unit change in budgeting skills brings a 0.084 change in loan repayment in the same direction. These results are similar to those of Ongesa et al. (2014) who found positive significant relationship between budgeting skills and loan repayment among small medium entrepreneurs in Ngara, Nairobi County. However the study findings go against the findings of Kariuki and Wanjiku (2015).

Influence Of Debt Management Literacy On Loan Repayment Wasaccosu

The last specific objective of this study was to determine the influence of Debt management literacy on loan repayment. The findings indicated a strong positive relationship between the two. The correlation coefficient between debt management and loan repayment was found to be 0.761 at a significance level of 0.000. This indicates a strong positive association between debt management literacy and loan repayment among SMEs.

The regression analysis results further indicates that the coefficient of debt management is 0.239 with a significance of 0.000. This means that keeping other factors constant, a unit increase in debt management literacy leads to a 23.9% increase in loan repayment and vice versa. These results are similar to the ones of Tuyisenge (2015) and Sickie (2013) who both found significant effect of debt management on loan repayment studies being conducted in Rwanda and Nigeria respectively.

The study findings revealed that debt management literacy had positive and statistically significant effect. The finding of the study concurred with Lusardi and Mitchell (2011) who studied the impact of literacy levels on entrepreneurs performance which revealed that persons of limited financial literacy are more prone to exploitations when it comes to debt management, savings and credit, and are not able to administer their resources competitively. The result is the same as with Mwaniki, L. N. (2019).

FINDINGS, CONCLUSION AND RECOMMENDATIONS

On the basis of the research results and analysis, discussions have been made which contained in this chapter. The study there on makes conclusions based on the specific objectives of the study. Finally, recommendations also provided for in this chapter.

SUMMARY OF FINDINGS

The study focused on giving an analysis of the effect of financial literacy on loan repayment performance in case of WASACCOsU. The study maintained parity in gender so as not to create any biasness on the study on the analysis of financial literacy and its effect on loan repayment performance of members. It was evident from the findings that majority of the respondent were seen to have the relevant education to provide information on the role of financial literacy. Findings on gender revealed that there are more male than females among the respondents indicating that more men than female are taking loans. The majority of member was literate and they were aged b/n 25-30 and also more respondents were degree holder. Findings on loan duration indicate that loan duration affect loan repayment 0-5 months.

From the descriptive statistics, analysis it was noted that financial literacy plays a significant role in SACCOs to initiate members in knowledge. This was noted true based on the respondents' response to statements relating to financial literacy. For instance, majority of the respondents agreed to a great extent that they paid their bills on time. A significant number of the respondents also agreed to the statement; their SACCOs loan repayment status were excellent. The standard deviation in the SPSS indicated little variation in the responses of the respondents. It was evident that financial

literacy had a significant influence loan repayment. Majority of respondents have their own pass book and they pay their loan without any inducement.

The SACCO has loan policy and granting loan was basic salary as majority of respondents responded. Half of respondents agreed as the loan is sufficient for fund and half of respondents were not. By very great extent the society was strategic alliance with other institution as survey result. From findings the budgeting literacy of the society was great extent and financial planning involves in the society for establishing an adequate financial record keeping system. The majority's source of income was wage and salary and as majority of respondents replied the household have a budget. On experience of traditional loan the respondents were used home equity loan as more respondents replied. From findings the knowledge of debt management literacy of respondents was moderate. More members prefer to money is there to be spent today rather than saving.

CONCLUSIONS

From the above findings, the researcher came up with the following conclusions; first, there is a strong positive association between Finance literacy and loan repayment in the SACCOs. When WASACCOsU possess finance skills there is likelihood that their loan repayment pattern will change for the better, in other words they will be able to repay their loan on time without default. Secondly there is close relationship between budgeting literacy and loan repayment among WASACCOsU. Budgeting literacy improves the ability of respondents to pay loan on time without default since they are able to do forecasting and internal audit to identify errors in their books of account hence enabling them to make necessary changes in good time.

Last but not least, debt management literacy is the most crucial factor in enhancing borrower's ability to repay loans from SACCOs. There is a strong positive relationship between the two. When SACCOs members at all or borrowers have debt management literacy, they are able to assess the interest rates charged on various loans, they are able to be aware of the results of default in paying loans and also able to discuss with financial providers in case he/she undergo financial difficulty hence not able to service loan on time. These skills enable the entrepreneur to take caution and try all the best not to fall in to trap of defaulting in payment.

There was the strong positive relationship between finance literacy and loan repayment as we conclude from the regression analysis. And also there was strong relationship between budgeting literacy and loan repayment as we understand from the inferential analysis. The respondent's knowledge on calculation of interest rate was low since more respondents were not answering it correctly. There was no enough training specifically on financial literacy. From the findings we

conclude that there was positive relationship between debt management literacy and loan repayment.

Lastly the study generally found significant relationship between financial literacy and loan repayment among borrowers of SACCOs. Financial literacy is very important for any entrepreneur who wants to grow the business through loan financing since he/she will be able to have easy time in servicing the loan.

RECOMMENDATIONS

Based on the results of this study, the researcher came up with the following recommendations to the SACCOs's management and members.

- First, the SACCOs should initiate more financial training platforms to the members to enable them possess relevant financial management skills to grow their business and other income generating activities hence able to repay their loan on time.
- Finance literacy should be scaled up in scope and content individual borrower should be trained separately from group borrowers to empower them to manage finances prudently and engage in viable business activities. This will enable the borrowers to pay on time and be legible for future loans.
- Therefore, the researcher recommended that, the government should prepare trainings on the issue of financial matters for society owners to create the most informed and competitor business owner in the market.
- People could be educated about financial matters as early as possible in their lives through including financial education in to educational curriculum.
- Much focus should be shifted to debt management skills since it's the most fundamental factor influencing loan repayment.
- Secondly, members should be on the forefront in attending the financial training in order for them to benefit more on how to manage their finances efficiently, generate profits from their activities and hence able to pay loan on time.
- Lastly the government should focus on expanding and empowering SACCOs since they also form the key integral part of Financial sector development and hence economic growth.
- The government should carry out periodic auditing of these SACCOs in order to ascertain their performance and offer a helping hand both financially and human resource provision to enhance their growth through problem solving by increasing or arranging financial literacy training.
- Then the SACCOs Committee members must be trained about SACCOs information, knowledge, skills, principles etc. because when they know about Unions knowledge the initiate the borrowers about the saving culture.
- I recommend that financial providers keep providing trainings on debt management and teach their clients on the different ways in which they can manage their

debts and also keep informing them on the importance of communicating with financial providers during financial crises.

Areas For Further Research

This study focused on financial literacy as a determinant of loan repayment among WASACCOsU. Several other factors affecting loan repayment exists such as technological factors, social factors among others. Therefore further research can be done on these factors that are not included in this research book keeping literacy, role of financial literacy and its impact on saving.

REFERENCES

1. Abdeldayem, M. M. (2016). Is there a relationship between financial literacy and investment decisions in the kingdom of Bahrain?. *Journal of Management and Accounting Studies*, 4(02), 68-78.
2. Aromorach, P. (2013). *Credit Management Policies and Loan Portfolio Performance in Commercial Banks: A case of Equity Bank, Adjumani Branch* (Doctoral dissertation, Uganda Management Institute).
3. Assefa, M., & Rao, D. (2018). Financial literacy and investment behavior of salaried individuals: A case study of Wolaita Sodo Town. *International journal of business and management inventions*, 7(1), 43-50.
4. Baidoo, S. T., Yusif, H., Ayesu, E. K., Baidoo, S. T., Yusif, H., & Ayesu, E. K. (2020). Cogent Economics & Finance Improving loan repayment in Ghana : Does financial literacy matter ? Improving loan repayment in Ghana : Does financial literacy matter? *Cogent Economics & Finance*, 8(1). <https://doi.org/10.1080/23322039.2020.1787693>
5. Baker, H. K., Kumar, S., Goyal, N., & Gaur, V. (2019). How financial literacy and demographic variables relate to behavioral biases. *Managerial Finance*.
6. Benson, O. N., Lucas, M., Margret, M., & Kelvin, L. N. (2016). The link between financial performance and loan repayment management in Tanzanian SACCOS. *African Journal of Business Management*, 10(4), 89–97.
7. Bhushan, P., Calcagno, R., & Monticone, C. (2015). Financial literacy and the demand for financial advice. *Journal of Banking & Finance*, 50, 363-380. & Medury, Y. (2013). Financial literacy and its determinants.
8. Cupák, A., Fessler, P., Schneebaum, A., & Silgoner, M. (2018). Decomposing gender gaps in financial literacy: New international evidence. *Economics Letters*, 168, 102-106.
9. Daniel, K. K. (2017). Assessing the impact of co-operative education/training on co-operatives performance. *Journal of Strategy and Performance Management*, 5(1), 23.
10. Fergusson, M., Ph, R. O., Gürbilek, N., Scarlet, D., Ph, R. O., K.M., Quevauviller, P., Thomas, O., Van Der Beken, A., Ph, R. O., CPCB, Restek Corporation, Geometry, R., Analysis, G., Ph, R. O., Willey, N., Geometry, R., Analysis, G., Gustafson, R. J., ... Durgham, H. (2013). No tle. *Journal of Chemical Information and Modeling*, 53(9), 1689–1699.
11. Fidelis Omari Aber. (2018).effect of financial literacy on personal financial management of employees in law firms in mombasa county in kenya
12. Financial Literacy and its Determinants: An Empirical Evidence from Maichew Town of Tigray Hailekiros Nigus Adhana. (2020). September, 1–25.
13. Frank, T., Mbabazize, M., & Shukla, J. (2015). Savings And Credit Cooperatives (Sacco's) Services' Terms and Members' Economic Development in Rwanda: A Case Study of Zigama Sacco Ltd. In *International Journal of Community and Cooperative Studies* (Vol. 3, Issue 2). www.eajournals.org
14. Gaudence, M., Patrick, M., & Denys, M. (2018). Effects of Financial Literacy on loan Repayment among Small and Medium Entrepreneurs of Microfinance Institutions Case Study of Inozamihigo Umurenge Sacco in Nyaruguru District. 20, 19–37. <https://doi.org/10.9790/487X-20050341937>
15. Gogo, P. A., & Oluoch, O. (2017). Effect of savings and credit co-operative societies' financial services on demand for credit by members-a survey of deposit taking saccos in nairobi. <http://www.ijssit.com>
16. Huston, S. J. (2010). Measuring financial literacy. *Journal of consumer affairs*, 44(2), 296-316.
17. Ibrahim, S. M., & Shehu, M. The Impact of Financial Literacy on the Employees' Investment Decision in Jigawa State.
18. Industry Structure. (1991). In *Supercomputers* (pp. 59–102). <https://doi.org/10.1016/b978-1-85617-124-3.50010-1>
19. Jemal, L. (2019). Effect of Financial Literacy on Financial Performance of Medium Scale Enterprise; Case Study in Hawassa City, Ethiopia. *International Journal of Research in Business Studies and Management*, 6(11), 33.
20. Journal, I. (2020). *FINANCIAL LITERACY AND ITS DETERMINANTS AMONG HOUSEHOLDS IN JIMMA ZONE Tadele MENGESHA Mekuanint Abera TIMBULA Yonas MEKONNEN Matewose KEBEDE International Journal of Commerce and Finance 1 . Background of the Study “[a] combination of awareness , k now.* 6(1), 102–112.
21. Karaa, I. E., & Kuğu, T. D. (2016). Determining advanced and basic financial literacy relations and overconfidence, and informative social media association of university students in Turkey. *Educational Sciences: Theory & Practice*, 16(6).
22. Katula, R., & Kiriinya, S. (2018). Loan Repayment and Financial Performance of Deposit Taking

- Savings and Credit Cooperative Societies in Embu County, Kenya. *International Journal of Current Aspects in Finance (IJCAF)*, 4, 102-118.
23. Kebede, M., & Kuar, J. (2015). Financial Literacy and Management of Personal Finance: A Review of Recent Literatures. *Research Journal of Finance and Accounting*, 6(13), 92-106.
 24. Kim, H. S., & Sohn, S. Y. (2010). Support vector machines for default prediction of SMEs based on technology credit. *European Journal of Operational Research*, 201(3), 838-846.
 25. Kimiyaghalam, F., & Safari, M. (2015). Review papers on definition of financial literacy and its measurement. *SEGi Review*, 8, 81-94.
 26. Kinyuira, D. (2018). *ASSESSING THE IMPACT OF CO- OPERATIVE EDUCATION / TRAINING ON CO-OPERATIVES*. May.
 27. Kinyuira, D. (2018). Assessing the impact of co-operative education / training on co-operatives. May.
 28. Kozina, F. L., & Ponikvar, N. (2015). Financial literacy of first-year university students: The role of education. *International Journal of Management, Knowledge and Learning*, 4(2), 241-255.
 29. Krechovská, M. (2015). Financial literacy as a path to sustainability.
 30. Kumaran, S. (2019). Assessing Financial Literacy of Employed and Business People in AMBO, Ethiopia: Evidence for Policy Makers. *Journal of Applied Finance & Banking*, 9(1), 41-73.
 31. LUSIMBO, E. N. (2016). *Relationship Between Financial Literacy and the Growth of Micro and Small Enterprises in Kenya : a Case of Kakamega Central Sub- County . Evelyn Nekesa Lusimbo Master of Science Jomo Kenyatta University of Agriculture and Technology .*
 32. Lusimbo, E. N. (2016). Relationship between financial literacy and the growth of micro and small enterprises in Kenya: A case of Kakamega Central sub-county (Doctoral dissertation, cohred, JKUAT).
 33. Mugo, E. (2016). *effect of financial literacy on investment decisions among savings and credit co-operative societies members in nairobi.*
 34. Muithya, V. K., & Ombati, R. (2017.). Internal factors affecting growth of savings and credit cooperative societies in machakos county , kenya internal factors affecting growth of savings and credit cooperative societies in machakos.
 35. Mutsonziwa, K., & Maposa, O. K. (2016). Mobile Money - A Catalyst for Financial Inclusion in Developing Economies: A Case Study of Zimbabwe using FinScope Survey Data. *GIS Business*, 12(4), 45-56. <https://doi.org/10.26643/gis.v12i4.3431>
 36. Mwangi, W. P., & Cheluget, J. (2018). Role of Financial Literacy, Financial Innovation, Financial Inclusion on SME Access to Credit in Kenya: A Case of Kumisa SACCO. *Journal of Finance and Accounting*, 2(2), 1-18.
 37. Mwangi, W. P., & Cheluget, J. (2019.). Role of Financial Literacy, Financial Innovation, Financial Inclusion on SME Access to Credit in Kenya: A Case of Kumisa SACCO.
 38. Mwaniki, L. N. (2019). *FINANCIAL LITERACY AND GROWTH OF SMALL AND MEDIUM ENTERPRISES IN NYERI COUNTY, KENYA* (Doctoral dissertation, KENYATTA UNIVERSITY).
 39. Ng'ang'a, M. N. (2016). *Factors Affecting Repayment of Education Loan among University Students in Kenya* (Doctoral dissertation, Kca University).
 40. Nicolini, G., & Haupt, M. (2019). The Assessment of Financial Literacy: New Evidence from Europe. *International Journal of Financial Studies*, 7(3), 54.
 41. Nigus, H. (2020). Financial Literacy and Its Determinants: An Empirical Evidence from Maichew Town of Tigray.
 42. Nirmal, A., & Bikram, P. S. (2015). Financial literacy and co-operatives sustainability: a study among the executive members of the co-operatives. *International Journal of Community and Cooperative Studies*, 3(3), 17-29. <http://www.economywatch.com/economic-statistics/Nepaldy>
 43. Olima, B. (2013). Effect of financial literacy on personal financial management on kenya revenue authority employees in nairobi a management research project submitted in partial fulfilment of the requirement of the degree of masters of business administration (mba) university.
 44. Olima, B. (2013). Effect of financial literacy on personal financial management on Kenya Revenue Authority employees in Nairobi (Doctoral dissertation, University of Nairobi).
 45. Olweny, T., Namusonge, G., & Onyango, S. (2012). The influence of socio-cultural background on individual investor risk tolerance at Nairobi Securities Exchange. *International journal of Arts and Commerce*, 1(4), 87-106.
 46. Ongesa Nyamboga, T., Omwarrio Nyamweya, B., & Moulid Abdi, A. (2014). An Assessment of Financial Literacy on Loan Repayment by Small and Medium Entreprnuers in Ngara, Nairobi County. *Research Journal of Finance and Accounting* www.iiste.org ISSN, 5(12). www.iiste.org
 47. Pokrikyan, A. (2016). The Impact of Financial Literacy Workshops in Rural Areas of Armenia. *Journal of Business*, 5(1), 35-38.
 48. Rasoaisi, L., & Kalebe, K. M. (2015). Determinants of financial literacy among the National University of Lesotho Students. *Asian Economic and Financial Review*, 5(9), 1050.
 49. Remund, D. L. (2010). Financial literacy explicated: The case for a clearer definition in an increasingly complex economy. *Journal of consumer affairs*, 44(2), 276-295.
 50. Shehu, M., & Musa Ibrahim, S. (2019). The Impact of Financial Literacy on the Employees' Investment Decision in Jigawa State. In *International Journal of*

Business and Technopreneurship (Vol. 9, Issue 3).
<https://www.researchgate.net/publication/343254625>

51. Sudakova, A. (2018). Financial literacy: From theory to practice. *International Multidisciplinary Scientific Geo Conference Surveying Geology and Mining Ecology Management, SGEM*, 18(5.4), 75–82. <https://doi.org/10.5593/sgem2018/5.4/S22.010>
52. Swiecka, B., Yeşildağ, E., Özen, E., & Grima, S. (2020). Financial literacy: The case of Poland. *Sustainability*, 12(2), 700.
53. Tesfamariam, K. (2015). Savings and Credit Cooperatives in Ethiopia: Development and Challenges. 6(5), 140–147.
54. Tilahun Emana Advisor, T., & Mandefro, F. (2014). The Role of Rural Saving and Credit Cooperatives in Enhancing Financial Inclusion: a Case of Biftu Batu Rural Saving and Credit Cooperative.
55. Tuyisenge, H. J., Mugambi, F., & Kemirembe, O. M. (2015). The role of financial literacy on loan repayment among small and medium entrepreneurs in rwanda case study: urwego opportunity bank. *International Journal of Small Business and Entrepreneurship Research*, 3(5), 2053–2583. www.eajournals.org
56. Wambui, K. M., & Gichuho, C. M. (2013). *Determining Influence of Management Commitment on Development of Emotional Intelligence in Public Service - A Survey of Ministries in Kenya*. 2(5), 387–389.
57. Wanjiku, K. J., & Muturi, W. (2017). *EFFECT OF FINANCIAL LITERACY ON LOAN REPAYMENT A CASE OF ECUMENICAL CHURCHES LOAN FUND, KENYA*. <http://www.ijssit.com>
58. Wilschut, A. (2018). *A review of financial-literacy education programs for children and adolescents*. <https://doi.org/10.1177/2047173417719555>
59. Zia, B., & Randall, D. (2015). Financial Education through Savings and Credit Cooperatives (SACCOs) in Rwanda Policy Issue Evaluation Context.