



SEEK WISDOM, ELEVATE YOUR INTELLECT AND SERVE HUMANITY !



THE IMPACT OF LOAN PERFORMANCE ON MANAGEMENT IN THE ETHIOPIAN BANKS FOR THREE YEARS FROM 2017 TO 2019:

A THESIS SUBMITTED TO THE FACULTY OF BUSINESS & ECONOMICS MANAGEMENT DEPARTMENT FOR A PARTIAL FULFILLMENT OF REQUIREMENTS FOR AWARD OF MASTER DEGREE IN MANAGEMENT

**BY:
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**ADDIS ABABA UNIVERSITY
FACULTY OF BUSINESS & ECONOMICS
MSC PROGRAM
MARCH, 2021
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**MARCH, 2021
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DECLARATION

I, Woldeamanuel Mitiku, hereby declare that the thesis entitled “The impact of loan performance on management for the three years starting from year 2017 till 2019” Submitted by me for the award of degree of Master of MSC in management of Addis Ababa University at Addis Ababa is original work and it hasn’t been presented for the award of any other Degree, Diploma, Fellowship or other similar titles of any other University or institution.

Place: Addis Ababa

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Date: March, 2021

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Addis Ababa University School of Graduate Studies

Certification

This is to certify that the thesis entitled, “*The impact of loan performance on management in Ethiopian banks from 2017 to 2019*” was carried out by Woldeamanuel Mitku under the supervision of Dr. Tilahun Teklu(*PHD*), submitted in partial fulfillment of the requirements for the degree of Master of Science in Management complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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First and for most acknowledge the Almighty God for showering me with grace and mercies in every step of my life. I attribute all my successes to his unwavering presence. I am in particular grateful to my advisor, Dr. Tilahun Teklu (PHD) for his patience in listening to my perspective and guide me throughout my study with valuable comments and suggestions which always put my research one step ahead than it was to strive more for high quality work throughout the project. Also I would like to extend my deepest gratitude to my daughters Aryam and Feven Woldeamanuel for their patience to give time to concentrate on my work. I would also like to thank to my respected family of Belay Teklu (Ato Amanuel, Ato Eyob , Ato sirak and W/ro Bemnet)for the valuable support for my study.

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ABSTRACT

The study intends to assess the impact of loan performance management in Ethiopian banks from 2017 to 2019. Banking operation uses the processes of managing its operation. Out of 18 banks operational in Ethiopia which are operational in the country I have selected three banks on the basis of their generation of establishment and their ownership status. To make the research broad based and convey the message to the respondents I have designed to both borrowers and bankers but no anyone of borrowers are willing to respond questioners therefore I have revised them and fit for those bankers who are working on the loan activities. The population size was 125, out of it 121 were responded. The questioner designed in English language and classified into three sections. The research designed structured and self-administered questioners to those selected respondents. The research approach is quantitative or numeric descriptive and the research design is explanatory type. Dependent and independent variables and the moderators are identified and analyzed and explained in the paper.

This thesis consists of five chapters which start from chapter one introduction, chapter two literature review, chapter three the research methodology, chapter four the data analysis and the last chapter five conclusion and recommendations. This research has strictly followed the AAU Master's degree research standard. In this research the problem statements and their research questions are raised with its pertinent issues. In these, certain findings which were suspected in the hypothesis questions were revealed and proposed in the recommendation sections. Research questions and the related issues were organized, assessed and analyzed on the basis of the international research methodology hat are helping to answer these questions.

In line with this there are a few factors that are influencing the impact of loan performance management were also discussed. The data are analyzed and carefully coded and checked for consistency and entered into SPSS version 25 spreadsheet and the collected data crookback test yields 80% which is good reliability. The data presentation and analysis and findings are discussed in this research material and the regression analysis result has a significant positive relationship. And from the ANOVA table above the significance value .05 is larger than the calculated significance value of 0.001.

Finally on the basis of the data analysis and its result we reached into a conclusion and recommendation.

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LIST OF ACRONYMS/ABBREVIATIONS

IMF	International Monetary Fund
ATM	Automatic tailoring machine
NBE	National Bank of Ethiopia
FDRE	Federal Democratic Republic of Ethiopia
SSA	Sub-Saharan African
CBE	Commercial bank of Ethiopia
CEO	Chief of executive officer
NPL	Non-Performance Loans
ETB	Ethiopian Birr
GDP	Gross Domestic Product
CBB	Construction and Business Bank
MIS	Management Information System
AIS	Accounting information system
LAEF	Loan Approval & evaluation form
LRAF	loan request & evaluation form
BOA	Bank of Abyssinia
NIB	Nib International Bank

CHAPTER ONE

1.1 Introduction

The history of banking began about 2000BC of the ancient world with the first prototype banks which were merchants of the world, who gave grain loans in Assyria, India and Sumeria. Hoggson, N. F. (1926). Banks are one of the financial institutions which perform a banking operational activity to the public. From the traditional point of view banks provide services of lending, borrowing, issuing, exchanging, taking deposits, safeguarding, or handling money under the laws and regulations of a respective country's central or regulatory bank. All the banks' operations must be regulated by the central banks or regulatory banks. The traditional role of a bank is limited by the operation of saving deposit and current deposit account and lending practices. Banks usually make loans up to point where the amount of reserves is equal to the required reserve ratio times the total deposit in the bank. The banking industry considers lending as their most important function for utilization of funds. Since the major portion of gross profit of the industry is earned from loans, the administration of the loan portfolio seriously affects the profitability of banks. However, lending is not an easy task for banks because it creates a big problem which is called non-performing loans. Non-performing loans are those loans which are thirty days or more past due on their payment or no longer accruing interest.

Banks are one of the contributors of a country's growth through lending money to investors and the business community. Most business people need bank loan for various reasons such as investing on construction of factory and business building, purchase of machineries, working capital and expansion of their business. Limitation of bank lending created problems on business community to accomplish their business plan.

Lending also has important function for commercial banks. Its contribution to asset and income portfolio is very high in banking industry. Therefore, reducing or restricting lending by banks has negative impact on both banks and borrowers in particular and on the growth of the country's economy in general. Identifying what factors limit lending on banking industry and assessing what are the most likely impacts that would occur when bank limit or restrict lending led to the finding of solutions for the problem. It is also necessary that bank

Supervisory agency should always assess its policies and economic conditions that impede the lending process and take corrective measures to stabilize the economy. On the other hand, management of banks also make themselves aware about the factors that affect lending and impacts on their performances

In the case of Ethiopian banks, National Bank of Ethiopia is performing a role of central bank which was vested power by the national proclamation operating as a regulatory role for the entire financial institutions in the nations. Banks activities are deposits, savings, lending, letters to credits etc. Each of activities have their own policy, guide lines and regulations. Ethiopian banks are performing a service of lending, borrowing, taking deposits, saving deposit, issuing exchanging and etc.... to the public, and government organizations. From the entire operational products our thesis is focused on the loan product. All banks have their own loan guide line, and regulations for each loan and advances to the borrowers. Banks take into account many considerations as a factor of loan provision, which helps them to minimize the risk of default that results in financial bankruptcy. Lending is one of the products of the banks, that provide to potential business entrepreneurs and private business that is uses as a primary source of generating income. Due to this fact that while banks are providing the loan, they exposed to the risk of default, which may need to manage effectively to acquire the required level of loan growth and performance. The Bank's role in the economy of any country is very significant and they play an intermediation function in that they collect money from those who have excess and lend it to others need it for their business investment. Availing loans to borrowers is one means by which banks contribute to the business investors as a cash mobilization. When we began to define the loan performance management, it is an integral process of different banking management system; which is a combination of methodologies and metrics that enables the users to define monitor and optimize outcomes necessary to achieve organizational goal and objective.

Bank loan help business to expand operations, generate profits and by promoting the economy to grow. As a result, banks will have conditions to continue their activities firmly, effectively & minimize risks. However, in case banks expand their lending aggressively, such a stable cycle may not take place & concerns about poor performance may appear. Accordingly, the riskiness of loan growth has affected the attention of all banks because;

- Bank finance is a driving force to the national economy. So, it is important to manage it effectively and efficiently.
- Large amount of money flowing into the economy through state-controlled banks lead to significant credit growth rate which is considered the national indicator.

Therefore, managing Loans in a proper way not only has a positive effect on the Bank's performance but also on the borrower firms and a country as a whole. Failure to manage loans, which make up the largest share of banks assets, would likely lead to the high level of non-performing loans. In the process of loan performance management there will be four stages; -

1. The screening stage process
2. The loan disbursement stage process
3. The follow up stage
4. The reporting stage.

Banks restrict or limit their loan rendering because of some reasons, such as Lack of loan fund, poor character of borrower, etc. On the other hand, from the banks side, loan is one of the principal sources of income. If banks give limited or reduced loans to their customers, their income will be reduced and the overall performance may be negatively affected. Theoretically, there are many reasons why banks reduce or limit lending. Some of these include liquidity problem, capital position, government fiscal and monetary policies and bank health (non-performing loan).

The bank assumes a conservative approach to risk taking. Carefully balancing of mission fulfillment, revenue generation and risk mitigation is a key consideration in the banks' risk-taking. The constituent documents require that loans be granted in accordance with sound banking principles, that adequate security be obtained for the loans, unless sufficient security is considered to exist under the circumstances, and that the bank protect itself against the risk of exchange rate losses to the extent practicable. The objectives of maintaining strong loan policy are the heart of the banking the industry for achievement of the goal.

According the NBE (2017/2018)¹report the Ethiopian economy is growing rapidly and its real gross domestic product (GDP) grew by 77 Percent. The high growth rate was placed the country among the top performing in the SSA countries. The contribution of the banking industry in this regard is significant by way of enhancing investment through lending money to investors and business community. Under the Ethiopian banking business directive, (SBB/53/2012)² loans are defined as there is a relatively favorable environment for the banking industry and other financial institutions in Ethiopia. Lending represents the heart of the banking industry. Loans are the dominant asset and represent 50-75 percent³ of the total amount at most banks, generate the largest share of operating income, and represent the banks greater risk exposure.

Prior to providing loan, there will be a prior study of the borrower profile in the form of screening. It must be screened carefully about the characteristics of the borrowers in detail. Study the borrower's business experience and previous practices are protecting the loan from default or fraud. It is not only clients who commit fraud dishonest staff may grant credit to themselves under a false name or pretense or make bad decisions deliberately to help somebody else. The process of granting loan follows a value chain process of: -

- ❖ Initiation
- ❖ Screening
- ❖ Assessment or evaluation
- ❖ Disbursement
- ❖ Monitoring or follow up
- ❖ Collection
- ❖ Termination.

BRIEF PROFILE FOR THREE SELECTED BANKS

The under listed is table is shows a very short over view of the selected banks branches as at from 2017 to 2019.

¹ As per NBE Governor's note of report 2018/2018

² SBB /53/12 it is a directive on the "credit exposure to single & provisioning counter parties"

³ NBE 2018 quarterly bulletin

I. Commercial bank of Ethiopia

- ❖ Date of establishment → year 1942
- ❖ Capital → 303.6 billion as at 2015
- ❖ No of branches → 1000+ branches and network has reached 783 branches and 1284 branches as at 2018
- ❖ No of staffs → 34879 permanent staffs
- ❖ No of account holders → 27.5 million account holders and 4.6 million mobile account holders and 4.6 million ATM account holders.
- ❖ Active loan
- ❖ Default amount

II. Bank of Abyssinia

- ❖ Date of establishment → 15th February, 1996
- ❖ Capital initially 17.8 million paid up capital and 50 million authorized capital
- ❖ No. of staffs → Initially 131 now it reaches 5825
- ❖ No of account holders are 1,012,177
- ❖ No of shareholders → 2176 shareholders as at 2018
- ❖ Slogan of the bank “ግባ-በለው!”

III. `Nib international bank

- ❖ Date of establishment 26 May 1999 under license no. LBB/007/99
- ❖ Capital initial 27.6 paid up capital and 150 outstanding capital
- ❖ No. of branches → 261 branches as at 2019
- ❖ No of staffs → It was 717 now it increases
- ❖ No of account holders → 1012177 account holders
- ❖ No of shareholders → 261 shareholders
- ❖ Slogans “ይህሯል ከልብ እንደገብ”
- ❖ Active loans
- ❖ Default loans

1.2 Situation That Affects the Banking Operation

It is obvious that there are three things (covid-19, Islamic bank, the electronic banking) that affects the operations of banking in our country.

- a. COVID -19 are affecting the entire business system in this world therefore equally the national economy of each countries affected. This also affects the Ethiopian economy too. The impact of COVID -19 by ceased business and down size their operational activities in the entire nation. Hence it has also adverse effect the regular bank loan businesses at all level, that means most of the borrowers who took bank loans are failed to repay their outstanding loan amount.
- b. Ethiopian adopted Islamic banking through interest free banking windows scheme in 2019 with a full-fledged interest free banking service. The banks use this money collected by them and invests in something that is sharia complaint that is not haram and does involve high risks. These might adversely affect the banking operations.
- c. The upcoming of the electronic banking has been widely used in developed countries and is rapidly expanding in developing countries. It is obvious that using electronic technology help to track outstanding loans, interest arrears, default borrowers, active browsers, inactive borrowers, compute interest rate tracking due dates etc. In Ethiopia, however, cash is still the most dominant medium of exchange, and electronic payment systems are at a growing stage of developing level. In the face of highest effort to apply an electronic payment system. At the end of the year 2018almost all banks in Ethiopia are starting to use it. An accounting information system (AIS) is a structure that a business uses to collect, store, manage, process, retrieve, and report its financial data so it can be used by accountants, consultants, business analysts, managers, chief financial officers (CFOs), auditors, regulators, and tax agencies.

1.3 Background to the Study

This background to the study is a brief overview of the loan performance management practices to the country's level. Regardless of the facts those banks have developed sophisticated techniques for quantifying loan performances by focusing on the borrower's characteristics.

Banks are ended playing significant roles in country's economic structure, to this point the Government of Ethiopia (EFDR) is committed to increase private banking investment in its economy towards reaching its development and growth objectives. Bank loan is one of the most important tools for external financing source. In line with this availability or constraints as well as restriction on free access loan affect both banks and borrowers. Strengthening the country's financial architecture will make available loan funds to facilitate investment decisions and to help reduce the risk of financial crises.

In the area of banking institution there are risks that will affect the business operational. Out of the major risks⁴ a credit risk is the biggest risk which banks cannot be fully protected due to the nature of the business model. They can lower their exposure in a several ways. Why do the risk for banks matter? Due to the large size of over exposure to risk can cause bank failure & impact million people. By understanding the risks government can set better regulation to encourage prudent management system and decision making. In the banking industry well-experienced staffs are a source for getting income and they are an asset to their banks. If bankers are well trained, they can contribute a tremendous help or amount energy to the achievement of the target goal of the banking business.

The purpose of this study is focused on the loan management process which mainly focused on the pre permit process of loan. Before loan disbursed the screening process must be completed by having the required loan forms such as LRAF, LAEF, business plan, financial reports, collateral and evaluation forms and loan agreement. Loan management policies are helping to guide in order to achieve organization goal and contribute to the profit. This chapter presents the background to the study, statement of the problem, the objectives of the study, *research* questions to be addressed, hypotheses, significance, scope of the study and brief operational definitions of some of the key terms and concepts used herein. These identified institutional factors have limited research available. This is further delineated in the statement of the problem hereafter. The impact of loan performance management in Ethiopian banks primarily focused on

⁴Major risks are credit risk, operational risks, marketing risks, liquidity risks

its loan operational process which covers its appraisal, assessment and sanction process. In these study loans operational forms, loan officer's staff-related factors, borrower's complaints, loan management policies in place and MIS of banking software will be discussed.

The study focuses to evaluate the loan performance management system and its loans culture, loans terms, conditions, structures and its policy. As a system it has anticipating its loan risk and risk reduction policy. Although the study put in place with a vibrant loans process and procedures that ensures proper selection, loans analysis, and perform an authentic follow up process. Finally, the study will look into the entire loan process and its policy gap against the practical loan management's administration for the last three years (year 2017, 2018, and 2020)⁵ of banks in the country. The most common cause of bad loans is directed the poor screening process of the borrower's behavior. Loans have created several problems for financial sectors and have seriously hindered the growth of developing economies in the nation's financial systems.

1.4 Problem Statement

Bank is financial institutions that collect a deposit from public and creates a demand deposit while simultaneously making loans. Loan is a type of credit in which a sum of money is lent to another party in exchange for future repayment of the value or principal amount. Lending may have impact on banks performance which in turn would have its own bearing on the growth of banks and their contribution to the poverty reduction efforts of the Ethiopian government. To provide loans there have been its own rules and procedures to manage the performance system. In these performances processes there will be challenged by some intentional and unintentional practices against the rules and procedures of the loan policy. The restriction had significant impact on the overall performances of the banks. Lending is the most important function of commercial banks. Its contribution to asset and income portfolio is very high in the banking industry. Therefore, any problem in lending like restricting or reducing loan is likely to have great impact on the performance of banks. Loans also generate the largest share of operating income. Restrictions on bank lending may have impact on banks performance which in turn

⁵The period covered from the year 2009 to year 2011

would have its own bearing on the growth of banks and their contribution to the poverty reduction efforts of the Ethiopian government. The restriction had significant impact on the overall performances of the banks. Lending is the most important function of commercial banks. Its contribution to asset and income portfolio is very high in the banking industry. Therefore, any problem in lending like restricting or reducing loan is likely to have great impact on the performance of banks. Impacts on their performance, in turn, imply that the problem is restraining their growth and potential for helping the government's efforts in poverty alleviation strategy. These problems call for extensive research that aims at assessing the impacts of restricting lending on banks' performance.

This chapter presents the background to the study, statement of the problem, the objectives of the study, *research* questions to be addressed, hypotheses, significance, scope of the study and brief operational definitions of some of the key terms and concepts used herein. These identified institutional factors have limited research available. This is further delineated in the statement of the problem hereafter. The impact of loan performance management in Ethiopian banks primarily focused on its loan operational process which covers its appraisal, assessment and sanction process. In these study loans operational forms, loan officer's staff-related factors, borrower's complaints, loan management policies in place and MIS of banking software will be discussed.

1.5 Objective of the Study

The objective of this study was to evaluate the impact of loan performance management.

1.6 Specific Objectives of the Study

- To evaluate the effect of capacity of the borrower in the loan performance management of the selected commercial banks.
- To identify the role of compliance related factors for the performance of loans at the selected commercial banks
- To examine the effect of domestic banking issues on loan performance at Ethiopian commercial banks

- To examine the effect of loan return time on the loan performance management of the selected commercial banks.

1.7 Research Questions

To achieve the objective stated above, the researcher developed four research questions (RQ) and four hypotheses' questions (HP)

RQ-1 What is the effect of capacity of the borrower in the loan performance management of the selected commercial banks?

RQ-2 What is the role of compliance related factors for the performance of loans at the selected commercial banks?

RQ-3 To what extent domestic banking issues affect the loan performance management of the selected commercial banks?

RQ-4 How does the loan return time affect the loan performance management of the selected commercial banks?

1.8 Hypothesis of the Study

Considering the above co-relation, the following research hypotheses were developed:

- HP1 –There is direct relationship between capacity of the borrower and the loan performance management of the selected commercial banks.
- HP2 – there is positive relationship between compliant handling procedures and the performance of loans at the selected commercial banks.
- HP3 – There is direct relationship between domestic banking issues and the loan performance management of the selected commercial banks.
- HP4 – Loan return time positively affects the loan performance management of the selected commercial banks.

1.9 Significance of the Study

This study will help various stakeholders in banks, mainly management and shareholders, to identify gaps inherent in their financial institutions and find ways of improving on their asset portfolio. This study will help financial institutions identify key risk areas in managing credit risk and also develop and implement a credit risk infrastructure to identify appropriate technologies and systems.

The significance of this study fills the gaps of how the loan performances can be possible in banks by way of identifying the gap in this area. This has created a very large information gap in this area; so, the study will reduce on the existing gap, by adding more knowledge to the few available ones.

1.10 Scope of the Study

This study covered on three banking practices (Commercial Bank of Ethiopia, Bank of Abyssinia and Nib International Bank) out of the total 18 banks and the mainly focused on the impact of the loan performance management for the last three years (from FY 2017 TO 2019).

1.11 Justification of the Study

The basis of this study is from the impact of loan performance management identify in Ethiopian banks and therefore limited research has been find out the possible causes of default loan in banks. This has created a very large information gap in this area; so, the study will reduce on the existing gap, by adding more knowledge to the few available ones.

1.12 Operational Definitions

Credit products: -Banks provide different credit banks that meet the needs of business depending on business nature, size, existing or future demands of the economy.

Term loan: -A loan granted for a specified time and with a periodic term repayment installation (monthly, quarterly, and annually) or in lump sum at maturity depending on the nature of the business and its cash flow.

Borrower screening process: -It is a prior process to study the borrowers' characteristics based on the information collected from different sources. It uses as a tool about the borrower information before providing the loans.

Lending Process:-It is the process of advancing loans to the legible borrowers on the basis of their loan policy. It follows a value chain process of: Initiation-Assessment Disbursement-Monitoring-Collection-termination. This process is handled at different levels by different individuals within the Bank.

Loan Performance: This is a measurement of an existing portfolio of facilities lent out to determine whether the borrowers are paying back as stipulated by the contract terms with the Bank and the indicator in this context is the Delinquency ratio which is the ratio of non-performing loans to the total number of loans.

Portfolio at Risk; measures the level of risk in the portfolio by comparing the balance of all loans that have one or more payments past due to the outstanding portfolio. The portfolio at risk rate is considered the most appropriate measure of delinquency.

CHAPTER TWO

2.1 REVIEW RELEATED LITRATURE

2.1.1 Introduction

This chapter reviews the literature on the impact of loan performance management in banking from 2017 to 2019. It discusses issues on loan management from different perspectives and with the view of giving a theoretical foundation to the study. It starts with an exposition on loan management, followed by reviews of literature on the rationales and categories of banking management activities as well as the kinds of risk faced by banks. The major benchmarks used for loan assessment of this study are different Books as well as various journal related to loan and credit risk management and a range of documents released by the Risk Management Group of the Basel Committee on Banking supervision regarding principles which ensure sound management of credit risks in banks and empirical literatures also reviewed in this chapter as well as

2.1.2 Theoretical Management of Performance loan

This section offers a brief discussion on some of the main ideas advanced by different scholars within this body of knowledge. Most of the available literature available attributes the impact of loan performance management to major factors. These are bank-specific or institutional factors within the lending institution itself and macroeconomic conditions prevailing within the economy during the term of the loan.

Loan is an amount of money that is given to someone for the period of time with a promise that will be paid back, an amount of money that is borrowed. Loan performance management is described as the activities designed to provide the positive service of delivery to the needy. Due to the nature of late repayment, loons could be delinquent in different cases. To ensure that banks operate in a sound business operation loan management environment, where there is reduced impact of uncertainty and potential losses, managers need reliable risk measures to direct capital to activities with the best risk/reward ratios. They need estimates of the size of potential losses to

stay within limits set through careful internal considerations and by regulators. They also need mechanisms to monitor positions and create incentives for regular borrowers.

Loan is one of the riskiest activities in the banking institutions. Risk-taking is an inherent element of banking and, indeed, profits are in part the reward for successful risk taking. In contrary, excessive, poorly managed risk can lead to distresses and failures of banks. Risks are, therefore, warranted when they are understandable, measurable, controllable and within a bank's capacity to withstand adverse results. The impact of the loan performance management on the screening of good borrowers is the initiation process to become legible borrower.

To ensure that banks operate in a sound loan operation management environment, where there is reduced impact of delinquency and potential losses, managers need reliable risk measures to direct capital to activities with the best risk/reward ratios. They need estimates of the size of potential losses to stay within limits set through careful internal considerations and by regulators. They also need mechanisms to monitor positions and create incentives for prudent risk taking by divisions and individuals. In consideration with the Ethiopian banking system, the impact of loan performances management has presented in these research discussions.

"According to NBE (2008) the agreement that was reached in the year 1905 between Emperor Menelik of Ethiopia and Mr. Gillivray,⁶ representative of British owned National Bank of Egypt marked the establishment of The Bank of Abyssinia, the first modern bank in Ethiopia. By the year 1931 the Bank of Abyssinia was legally replaced by Bank of Ethiopia shortly after Emperor Haile Sellasie first came to power. The new bank, Bank of Ethiopia, was a purely Ethiopian institution and was the first indigenous bank in Africa (NBE, 2008)."⁷

The Bank was given full rights to issue bank notes and monitor coins which were to be legal tender and all the profits there from a ruling to the bank and freely exchangeable against gold

⁶ He is a British Citizen, he come to Ethiopia at the time of Emperor Menelik second as a banking business advisor.

⁷ A guide to service by TeferaDegefe A.A. 1973

and silver on cover by the Bank as well as to establish silver coins and abolish the Maria Theresa.

Bank of Ethiopia took over the commercial activities of the Bank of Abyssinia and was authorized to issue notes and coins. The Bank with branches in Dire Dawa, Gore, Dessie, Debre Tabor, Harar, agency in Gambella and a transit office in Djibouti continued successfully until the Italian invasion in 1935. During the invasion, the Italians established branches of their main Banks namely Bancad'Italia, Banco di Roma, Banco di Napoli and Banca Nazionale del lavoro and started operation in the main towns of Ethiopia. However, they all ceased operation soon after liberation except Banco di Roma and Banco di Napoli which remained in Asmara. In 1941 another foreign bank, Barclays Bank, came to Ethiopia with the British troops and organized banking services in Addis Ababa, until its withdrawal in 1943. Then on 15th April 1943, the State Bank of Ethiopia commenced full operation after 8 months of preparatory activities. It acted as the central Bank of Ethiopia and had a power to issue bank notes and coins as the agent of the Ministry of Finance. In 1945 and 1949 the Bank was granted the sole right of issuing currency and deal in foreign currency. The Bank also functioned as the principal commercial bank in the country and engaged in all commercial banking activities.

Further, as per the NBE (2008), following the declaration of command economy by Dergue regime in 1974 the government extended its control and nationalized all the private banks and merged into one bank. After nationalization the Dergue regime also re-established Agricultural and Industrial Development Bank. After the demise of the Dergue regime in 1991 that ruled the country for 17 years under the rules of command economy, the new government declared a free market economy. In line with this, monetary and banking Proclamation No 83/1994 and the licensing and supervision of banking business No 84/1994 laid down the legal basis for investment in the banking industry in the country (NBE, 2008). The State Bank of Ethiopia had established 21 branches including a branch in Khartoum, Sudan and a transit office on Djibouti until it ceased to exist by bank proclamation issued on December, 1963. Then the Ethiopian Monetary and Banking law that came into force in 1963 separated the function of commercial and central banking creating National Bank of Ethiopia and commercial Bank of Ethiopia.

The National Bank of Ethiopia with more power and duties started its operation in January 1964. Following the incorporation as a share company on December 16, 1963 as per proclamation No.207/1955 of October 1963, Commercial Bank of Ethiopia took over the commercial banking activities of the former State Bank of Ethiopia. It started operation on January 1, 1964 with a capital of Eth. Birr 20 million. In the new Commercial Bank of Ethiopia, in contrast with the former State Bank of Ethiopia, all employees were Ethiopians.

In the period to 1974, several other financial institutions emerged, including the state-owned: The Agricultural and Industrial Development Bank (mainly established to finance state-owned enterprises); The Savings and Mortgage Corporation of Ethiopia; The Imperial Savings and Home Ownership Public Association (which provided savings and loan services). Major Private commercial institutions, many of which were foreign-owned, included the Addis Ababa Bank, the Banco di Napoli, and the Banco di Roma. However, the banking business could not move further because of the nationalization of private investments by the Socialist regime (the Dergue regime). CBE is a state-owned bank in the National Bank of Ethiopia, the Commercial Bank of Ethiopia, and the agricultural and Industrial Development Bank. At the period of socialist regime was overthrown by the EPRDF in the year 1991 liberal economic system was declared. In line with this, the Monetary and Banking proclamation of 1994 established the National Bank of Ethiopia (NBE) as a judicial entity, separated from the government, and outlined its primary function. Monetary and Banking Proclamation No.83/1994 and the Licensing and Supervision of Banking Business No.84/1994 laid down the legal basis for investment in the banking sector.

After the proclamation of 1994, the first private Bank, Awash International Bank was established in 1994 by 486 shareholders paving a way to the establishment of related private banks such as Dashen Bank (1995), Abyssinia Bank (1996), WgeganBank (1997),United Bank (1998), Nib International Bank (1999), Cooperative Bank of Oromia (2004),Lion International Bank (2006), Oromia International bank (2008), Zemen Bank (2006), Buna International Bank (2009), Birhan International Bank (2009), and others which are under establishment.

2.2. Ethiopian Bank Operational Performances

2.2.1. Deposits

Bank deposits consist of money placed into banking (cash mobilization) institution for safekeeping. These deposits are made to deposit accounts such as saving accounts, checking accounts, fixed deposit account, and money market accounts.

2.2.2 Loan and Advances

Loans are a source of long term financing (typical more than a year or may not) whereas the advance are a source of short term financing , that is to be rapid within less than a year. The monetary value of an advance is usually less than that compared to a loan.

Bank loans provide you with a huge amount of money so the interest is very high which is used to cover for the time value of money and the risk associated in giving such huge amounts of money, but advances won't need a high rate of interest because they are paid back in a short time.

2.2.3. International Banking

International banking is one of the type of banking that has presence across international borders. It is a financial entity that offers financial services like lending opportunities and payment accounts to foreign clients.

The functions of international banking are as follows: Taking deposits and making loans in domestic currency to foreign governments, enterprises, and individuals. Taking deposits and lending in foreign currencies to domestic and foreign entities.

2.3. Financial Performances

2.3.1 Income

The main operations and source of revenue for banks are their loan and deposit operations. Customers deposit money at the bank for which they receive a relatively small amount of interest. The bank then lends funds out at a much higher rate, profiting from the difference in interest rates.

Interest received on various loans and advances to industries, corporates and individuals is bank's main source of income. Interest on loans: Banks provide various loans and advances to industries, corporates and individuals. The interest received on these loans is their main source of income.

2.3.2. Expenses

Bank Expenses is a reasonable cost or expenses (including reasonable attorneys' fees and expenses) incurred in connection with the preparation, negotiation, administration, and enforcement of the Loan Documents, operational and financial performances costs, reasonable fees, and Bank's reasonable attorneys' fees and expenses incurred in the operation of banking business.

2.3.3. Profitability

Bank profitability is the measure of a bank's performance based on the banking operational results. Banks make a profit by earning or generating more money than what they are paying in expenses. The main part of the profit of a bank comes from the service fees, charged for its services and the earned interests from its assets.

2.3.4 EQUITY OF THE BANK

Equity describes the value of an asset after subtracting the value of any liabilities on the asset. Commonly used to describe the value of a home and help purchase a new one, equity will be considered in taking out loans or paying off large bills.

2.3.5. LIQUIDITY

Bank liquidity refers to the ability of a bank or banks to meet the demands of its depositors. As the **banking** system is highly gicd, it does not have on hand all of the cash deposited in its system. Rather, the bank has its capital invested or on loan elsewhere, which is how the **bank** generates its income.

The liquidity index calculates the days required to convert a company's trade receivables and inventory into cash. The index is used to estimate the ability of a business to generate the cash needed to meet its current liabilities. It is commonly used by credit analysts to evaluate the creditworthiness of customers.

2.4. Administrative & Other Issues

2.4.1. Human Resource

Human resources (HR) is the division of a business that is charged with finding, screening, recruiting, and training job applicants, and administering employee-benefit programs. The job description of an **HR/ Personnel Officer** in **banks** includes the many roles and responsibilities. It includes recruitment, selection, training and development, evaluate the performance of the staff, maintain the database records of the employees etc.

2.4.2. Expansion of Branches

Branch banking allows a financial institution to expand its services outside of its home location and into smaller storefronts that function as extensions of its greater operations. ... In addition, the number of **branch** banks is decreasing.

2.4.3. Business Development

In its most basic form, **business development** can be defined as the creation of value for an organization or **business**. This includes brainstorming new ideas, initiatives, and activities to increase profitability. A **development bank** may, thus, be **defined** as a financial institution concerned with providing all types of financial assistance (medium as well as long-term) to **business** units, in the form of loans, underwriting, investment and guarantee operations, and promotional activities — economic **development** in general.

2.4.4. Information System

Information Technology enables sophisticated product development, better market infrastructure, implementation of reliable techniques for control of risks and helps the financial

intermediaries to reach geographically distant and diversified markets. Internet has significantly influenced delivery channels of the **banks**.

Information Technology enables sophisticated product development, better market infrastructure, implementation of reliable techniques for control of risks and helps the financial intermediaries to reach geographically distant and diversified markets. Internet has significantly influenced delivery channels of the **banks**.

2.5. Collateral Management

The Bank receives collateral from its borrowers in order to mitigate credit risks that are arising from transactions. All the banks have collateral management policies that entail how to control the collateral items. The amount of cash collateral held at year-end 2018 was EUR 575.4 (547.2) million. For further information regarding received collateral at year-end, please refer to note Collateral and commitments.

The adequacy of collateral property value of the borrower, the type *of* aggressive lending, compromised integrity, weak institutional capacity, unfair competition among banks, borrowers and their credit knowledge limitation, fund diversion for an unintended purpose, over/under financing by bank attribute to the causes of loan default.

2.6 Portfolio Management

⁸The Bank's portfolio management deals with the management of that portion of liquidity that is invested in longer term securities. Bank's portfolios have been established; (1) a portfolio with security investments measured at amortized cost and (2) actively managed portfolios measured at fair value. The amortized cost portfolio comprises of fixed rate debt securities issued by highly rated issuers. The return on this portfolio is an important contributor to the bank's total results. The actively managed portfolios contribute to bank's results through active yield curve and duration management strategies using fixed income derivatives as well as security investments.

⁸NIB 3rd quarter report of 2018

2.7 Bank Lending

Lending is the provision of resources (granting loan) by one party to another. The second party doesn't reimburse the first party immediately there by generating a debt, and instead arranges either to repay or return those resources at a later date. Banks function as financial intermediaries, collecting funds from savers in the form of deposit and then supplying to borrowers as loans. Those functions benefit both the banks and the borrowers.

One of the major functions of any commercial bank is providing loan to the business society. Banks collect money from those who have excess money and lend it to others who need money for different purpose. Therefore, bank's intermediary function plays vital role in the economic activity. Banks accept customer deposits and use those funds to give loans to other customers or invest in other assets that will yield a return higher than the amount bank pays the depositor. It follows that customers' deposit is the primary source of bank loan and hence, increasing or guaranteeing deposits directly has a positive effect on lending. The principal profit- making activity of commercial banks is making loans to its customers. Pool of fund approach: in this approach all funds pool together and funds then allocated from the pool to whatever asset investment.

2.8 Bank Lending Rules and Procedures.

Although each banks have their own lending rules and procedures, but almost all of them are uses similar rule and procedures because it is framed by the NBE's regulation style. For the sake of these study, I have presented the experiences of Bank of Abyssinia's.⁹ "The credit process embraces mainly two processes. The first one is the pre-sanction processes and the second one is the post sanction credit processes.

Pre-sanction processes cover appraisal, assessment, and sanction processes. The preliminary appraisal focuses whether the request is acceptable or not at first examination. The appraisal is

⁹Credit Analysis & Appraisal of Abyssinia Bank, prepared by Eskinder Dibekulu dated 2018/2019 (please Refer 2.4 and 2.5)

done by the requesting and examining basic data /information with the view forming an overall idea about the general feasibility of the project loan proposal other words one has to go through the KYC " Know your customer" of the applicant. Sanction is the stage where prudent credit decision is going to be made by the concerned authorized body of the bank as set in the credit procedure.

Post sanction credit processes are a lending decision made on appraisal and assessment of credit worthiness. Past record of satisfactory performance and integrity are no guarantee for future though they serve as a useful guide to project the trend in performance. A loan granted on the basis of sound appraisal may go bad because the borrowers did not carry his promise regarding performance. It is for this reason that proper follow up and supervisions is essential. A banker cannot take support insufficiency or security for his/her loan. The post sanction is essential that ensure comply with the terms and conditions started during the credit sanction.

2.9 Types of Lending

Borrowers request banks for granting of loan for different purposes. Such as` -

- Business loan,
- Construction loan,
- Agriculture loan
- Import and Export loan,
- Manufacturing and industry loan
- Real estate loans
- Commercial loans
- Individual loans

2.10 Factors Affecting Bank Lending

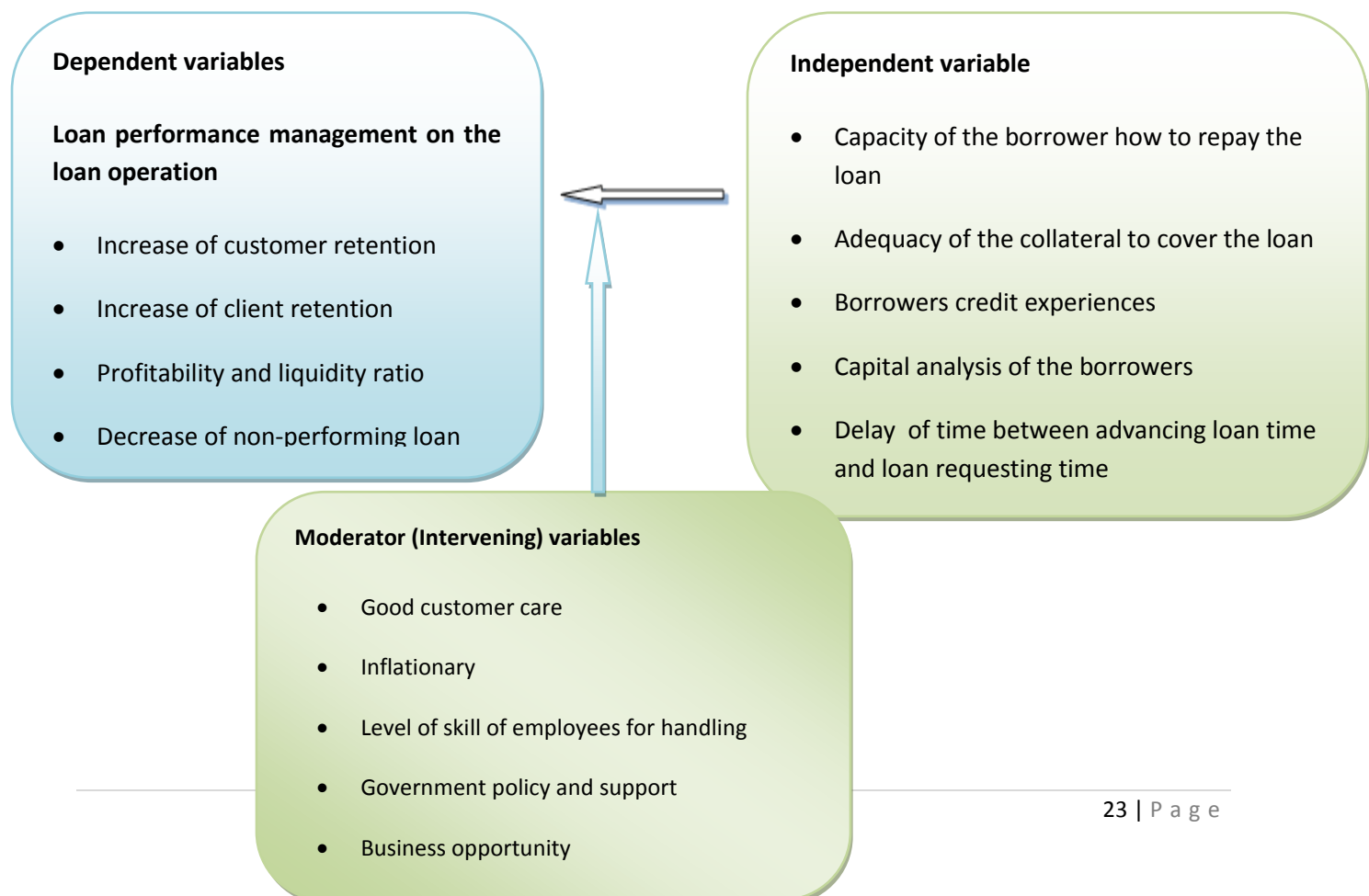
The sources of fund require for lending are reserve, deposits and capital. All these sources may be affected by different factors and would have direct influence on lending. Since lending is the principal function of banking industry, the management of banks should give due attention, analyze and take the necessary measures on time on internal and external factors that affect or

limit lending. Without lending banks' incomes especially interest income would highly deteriorate and affect the overall performance of banks.

This paper explores to assess the impact of loan performance management system on the selected banks (CBE, BOA & NIB) by setting out the main features of Ethiopia's financial institutions. This selection made on the basis from government owned and from private owned banks which are currently in a strong financial position. All banks are established in accordance with the Commercial Code of Ethiopia and the Proclamation for Licensing and Supervision of Banking Business Proclamation no. 84/1994. This sets the view for the summary and analysis in financial reforms focuses on the critical issue of reform concludes by highlighting the little information about them.

2.12. Conceptual Frame Work of the Study

A conceptual framework illustrates what you expect to find through the research. It defines the relationship between direct variables and indirect variables along with the moderator (intervening) variables and maps out how they might relate to each other.



The sketch showing that it is the conceptual framework is indicating the theoretical relationship between dependent variable and independent variable with the intermediation of moderator variable (intervening variables). The independent variable which is important for the loan performances management practices with its indicators can be capacity of the borrower how to repay the loan, the adequacy of the collateral value to cover the default loan, the borrower's credit experiences, capital analysis, delay of time between loan disbursement and loan request time then the condition in which the project implemented influencing the performance of banking business which is characterized by mainly profitability and liquidity ratios, increase in assets, increase in customer retention, increase in reputation, increase of owner's equity and decrease in non-performing loans.

The moderator (intervening) factors which come to emphasize or distort the relationship between loan performance management and independent variables and they are mainly good customer care, level of skill of employees for handling, government policy and support, business opportunity.

The study analyzed the effect of loan management performance of banking business in Ethiopia. To achieve objectives, the population included the impact of loan performance management in three banks. Due to lack of willingness to get sufficient information, I tried to establish a selection process by my self-judgment. By considering the entire active loan numbers is not yet known at three banks therefore it couldn't be determined the total population (N), for the sake of my study, I decided to establish a random selection basis which I feel a reasonable. This made the sample of the study is 125. The data obtained to be analyzed using SPSS and some quantitative methods were adopted using some descriptive, co-relational research design and other tabular representations to show how loan management contributes to the performance of banks and studies the character of the responses from the respondents.

CHAPTER THREE

RESEARCH METHODOLOGY

Chapter two has presented the review of the existing literature on the impact of loan performances in Ethiopian banks from 1917 to 1919 and identified the knowledge gap. This chapter discusses the research design. This chapter is organized in nine sections. The first subsection 3.1 presents the research problem along with the broad research objective and research questions. Subsection 3.2 Discusses the research approaches 3.3 quantitative research approaches 3.4. The Research method adopted 3.5. The data model (dependent and independent variable): 3.6. The Population and sampling: 3.7. The Data analysis and method: 3.8. Specification of model 3.9. Validity, reliability and ethical issues

3.1. Research problem, broad objective, research questions

Banks provide financial intermediation services through their lending. Lending is considered the most important function for banks fund utilization as major portion of their income is earned from loans and advances. On the other hand, it is also one of the risky areas of the industry. In fact, of all the risks Banks face, client retentions, is considered as the most lethal as bad debts would impair banks profit. Delinquent Loans arises from delay of repayment period of time. It can be uncertainty in a given counterparty's ability to meet its obligations.

In the context of the above broad objective the following specific research questions (RQ) have been developed: To achieve the objective stated, the researcher developed two research questions (RQ). The principal profit-making activity is making loans to its customers. There is a relation between bank lending and bank loan performance management. By extending close follow up in order to collect repayment on time to earn a better profit. On the other hand, limiting lending may have a negative impact on banks and borrowers' performance. Operating performance is positively related to loan quality and the asset size or the banks market share and negatively related to liquidity, the loan ratio and the banks age.

- a. What factors are the screening processes contained?

- b. Why long and hectic questions were raised by the banks in the processes of disbursement?
- c. Are the borrowers clearly understanding the terms and conditions of the loan agreement?
- d. Why the amount of loan is greater than the collateralize amount?
- e. Why banks do not provide loan by considering a sound project idea?
- f. Why loans are provided to borrower on the basis of political or ethnical affiliation?
- g. Why private banks have face shortage of fund to provide loans?

3.2 Research Approaches

According to Kotzaret al (2005), research design is defined as the plan and structure of investigation and the way in which studies are put together. Cooper (2003) also define research design as the process of focusing on the researcher's perspective for the purpose of a particular study. Leedy and Ormrod (2005)..A research methodology uses as a means to extract the meaning of data.

3.3 Quantitative research approach

This approach is used to answer question about relationships among measured variables with the purpose of explaining, predicting and controlling phenomenon. Quantitative research approach has two strategies of inquiry. The first is survey design which provides a quantitative or numeric description of trends, opinion of a population by studying a sample of that population. From the sample the researcher generalizes about the population.

The second type of design is experimental descriptive design used to test the effect of intervention on an outcome, controlling all other factors which may influence that outcome. In experiment design researcher may also identify a sample and generalize to a population (Creswell, 2009).The analysis is made based on deductive reasoning, beginning with certain theory or hypotheses and drawing logical conclusions from it.

3.4 Research Method Adopted

The purpose of this study is to identify and examine factors that determine the occurrence of loan default. As can be seen from the research problem it is more of explanatory type and tries to

assess the relationship between occurrence of the loan performance management and some bank specific factors. The subsequent discussions hence present the quantitative and descriptive aspects of study.

3.5. Sample design

Sample design deals with the sample frame/ population, sample size, sampling techniques. Paragraphs that follow discuss issues pertaining to sample frame, sample size and sampling techniques respectively. According to Diamantopoulos (2004), a population is a group of items that a sample will be drawn from. A sample, on the other hand, refers to a set of individuals/companies/ selected from an identified population with the intent of generalizing the findings to the entire population. A sample is drawn as a result of constraints that make it difficult to cover the entire research population (Leedy and Ormord, 2005). For this research the target population was all banks registered by the National Bank of Ethiopia (NBE). The cut off year was set due to the importance of experience in the industry to understand factors that would cause occurrence of loan default. In line with this our sample of study focused on three banks on the basis our selection one from Government bank and two from private owned banks according to their first and second generation groups.

According to Fowler (1993) the appropriateness of any sample design feature can be evaluated only in the context of the overall survey objectives. The important point for the researcher is to be aware of the potential costs and benefits of the options and weigh them in terms of the main purpose of the study. For this research the sample size was 125 which were circularized out of which 121 which is 96% were received from the total population. In order to have this sample a good representative, I have designed to distributed to both borrowers and bankers, unfortunately all the selected borrowers were not willing to fill those questioners, therefore all questioners were completed and filled by the bankers and equally the questioners are amended to this context.

3.4.4. Instrument design and data collection method

The survey was conducted using a structured questionnaire and structured record reviews of selected banks. The questionnaire was prepared in English language and it was classified into

three sections. The first part of the questions 1-5 were designed to collect participants' profile (background information). The second part, questions 6-16 in the questionnaire were related factors that questions related to general loan performance management part three 17-21 designed to collect relevant information regarding major challenges and causes. A rating 1 indicates a strong agreement, 2 agreement, 3 neutral (don't take position), 4 disagreement and 5 strong disagreement. The self-administered questionnaire was delivered to the selected experts engaged in loan related activities. In order to provide feedback, clarification and ensure response a follow up calls were carried out.

In addition, the study used documentary review. Specifically, the financial statements of banks surveyed along with their annual report and central bank's report were used. In this regard financial data of the banks from the year 2017 to 2019 was in use. Interview questions from 1-12 were designed for selected top banking managers who were related with loan operation or portfolio department. The objective of the interview to collect an overview data on the general operational position of the selected each banks. From this interview also we can collect whether the dependent and independent variables have direct relationship or not .

3.5 Models Applied

3.5.1 Dependent Variable

The dependent variable is the variable that is being measured or tested in an experiment. In this study the dependent variable is “the impact of loan performance management in Ethiopian banks from 2017 to 2019. It will be tested or measured by the SPSS; the dependent variable would be the participants' test, since that is what is being measured.

3.5.2 Independent variables

It is the model or variables that is changed or control in a scientific experiment to test the effects on the dependent variable. The borrower repayment capacity, the borrower collateral what it has, the borrower credit experiences and the bank capacity how well to lend with the shortest time (Long process period and hectic repeated request to provide loan).

3.6 Population and Sampling

Currently in Ethiopia, 18 banks are in operation. From these 18 banks I will select three banks namely Commercial Bank of Ethiopia, Bank of Abyssinia, and Nib International Bank on the basis of one from government owned and two from private owned banks on the basis of their generation. From these selected three banks, I have selected total 125 questioners in order to circularize (please refer the detail for selection below). The sample techniques applied is a purposive sampling technique. Purposive sampling is targeting a particular group of people which required to be studied. When the desired population is rare or very difficult to locate and recruit, purposive sampling may be the only option. Purposive sampling is chosen by considering the time concern, the population size concern, the cost allocated for the research and availability of data.

In line with the above selection the government bank (Commercial Bank of Ethiopia) is too large in all size including its operation and its capital size. And our basis of selection one from the first private banks generation (Bank of Abyssinia which is the date of establishment is 1996) and one from the second generation NIB international Bank which is the date of establishment is 1999). For the sake representative fairness all Head offices of banks and selected two branches from all banks respectively. Please refer them below:-

Table 1: List of questioners to be circularized

	CBE bank & branches			Bank of Abyssinia			Nib International			Total
Type	HQ	Jose Han	Cheffe	HQ	Lideta	Balcha	HQ	Lideta	Darmar	
Bankers	35	10	10	15	10	10	15	10	10	125
Total	35	10	10	15	10	10	15	10	10	125

Source: Own Survey Data, 2021

3.7. Data analysis method

The data collected from survey questionnaire were carefully coded and checked for consistency and entered into the SPSS spreadsheet. The analysis was performed with SPSS version 25. Descriptive statistics was employed to analyze data and the results were tested with non-

parametric tests of significance. Besides, measures of central tendency (mean, standard deviation) were used to analyze the questionnaire survey result. To conduct documentary analysis SPSS version 25 was in use to run the Pearson correlation between the independent factors and dependent factor. Measures of central tendency (mean and standard deviation) were also used to analyze the variables.

3.8. Specification of Model

In the study, the researcher has employed the following regression model.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$$

Where: Y= Loan performance management => dependent variable

Independent variables are:

X1= Capacity of the borrower

X2= Compliance issues

X3= Major challenges of domestic banking issues

X4= Impact of loan return time

μ = Disturbance term

And α is an intercept and β is the parameter of explanatory variable of dependent variable (loan performance management)

3.9 Validity, reliability and ethical issues

Validity and reliability of the research measurement instruments influence, first the extent that one can learn from the phenomena of the study. Second the probability that one will obtain statistical significance in data analysis and third the extent to which one can bring meaningful conclusion from the collected data. Most ethical issues in research fall into one of the four categories: protection from harm, informal consent, right to privacy and honesty with professional colleagues (Leedy and Ormrod, 2005).

3.9.1 Validity

According to Leedy et al (2005), validity is the ability of an instrument used to measure what it is designed to measure. Validity answers how the study have sufficient control to ensure the conclusions of the researcher draw are truly warranted by the data and can the researcher use what he/she has observed in the research situation to make generalization to the population beyond that specific situation.

In order to check content validity for the descriptive survey studies, by using multiple sources of evidence, establishing chain evidence and having key informants reviewing draft of the study report.

3.9.2 Reliability

Reliability of a measurement instrument is the extent to which it yields consistent results when the characteristic being measured has not been changed. Furthermore, Cameron - (2007) states that in order to increase reliability, the researcher should use the same template as far as possible and use static methods. To ensure the reliability of measurement instrument the researcher performed first standardize the instrument from one person or situation to another. Besides, the researcher also believes that this study is reliable since the respondents were selected based on their past experience on credit management and their answers were expected to be credible. Given the credibility of selected respondents, the same answers would probably be given to another independent researcher. Furthermore, ambiguous terms were not used in interviews to avoid confusion.

This study applied appropriate mechanisms to determine the reliability and validity of measurement tools. The research questionnaire was developed in English language and distributes by the same language since the bank working language is English. In addition, individual who are knowledgeable on the subject area were consulted to determine whether the measurement will be able to test what it is supposed to test in order to ascertain the validity of this research measurement tool. Reliability of the research was also proven, by pre-testing the questionnaire before actually administering it. It was conducted in order to make sure that participants would have no problems in understanding and answering questions. This is also to

ascertain whether questions are capable or not to elicit the appropriate information. In order to ascertain the reliability of the data collected, it was tested using the Cronbach's Alpha test.

Table 2: Reliability test using Cronbach's Alpha test

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.801	.830	53

Source: Own Survey Data, 2021

As shown in the reliability statistics table above the collected data Cronbach test yields more than 0.8 (80%) result; which is “good” reliability.

3.9.3 Ethical Issues

Due consideration was given to obtain consent from each participant about their participation in the study. It was strictly conducted on voluntary basis. The researcher tried to respect participants' right and privacy. The findings of the research were presented without any deviation from the outcome of the research. In addition, the researcher gave full acknowledgements to all the reference materials used in the study.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS OF FINDINGS

4.1 Introduction

In the previous research methodology part, a questionnaire and an interview were used as primary data collection methods to assess the impact of loan performance management in the three selected banks in Ethiopia. Henceforth, 125 questionnaires were distributed to purposely selected bank workers from CBE, Bank of Abyssinia, and Nib International Bank three each branches; the response rate was 96.8%. So the data is organized and presented based on 121 questioners. The data collected through questionnaire is presented by using tables followed by analysis and interpretation. The understanding of the responders towards the impact of loan performance management in the selected banks are analyzed by giving interpretations based on responses frequency and percentage. A mean scale is also used in order to measure central tendency of responses. The mean scale has a minimum value of 1 and a maximum value of 5, where 1 represents “Strongly Agree” and 5 represents “Strongly Disagree”.

In addition to the survey questionnaire, interviews to the selected top management members were conducted. The data obtained from the interviews is elaborated since they are important to triangulate the result obtained from interview and different printed and unpublished sources.

4.2 Descriptive Results

Loan performance management can be affected by different practices such as Compliance issues, domestic banking issues and loan return time as stated in the literature review. CBE, BOA, and NIB employees and customers were requested their level of agreement with different statements under each of these practices and their responses were analyzed and the descriptive results are as presented in each subsequent table shown here below. Responses were measured on five point Likert scale with 1= Strongly Disagree; 2= Disagree; 3= Neutral; 4= Agree; and 5 = Strongly Agree.

4.3 Demographic Information of the Respondents

The first part of the questionnaire concerned on demographic information on which respondents were asked about their age, gender, educational status, their experience as an employee or customer at the selected banks. As presented below

Table 3: Demographic information of the respondents

Characteristics		Frequency	Valid Percent	Cumulative Percent
Gender	Male	74	61.2	61.2
	Female	47	38.8	100.0
	Total	121	100.0	
Age	18-25	8	6.6	6.6
	26-35	43	35.5	42.1
	36-40	30	24.8	66.9
	more than 40 years	40	33.1	100.0
	Total	121	100.0	
Marital Status	Single	55	45.5	45.5
	Married	66	54.5	100.0
	Total	121	100.0	
Education Level	Diploma	5	4.1	4.1
	BS/BA	66	54.5	58.7
	MSC/MA	37	30.6	89.3
	PhD	4	3.3	92.6
	Others	9	7.4	100.0
	Total	121	100.0	
Experience	Less than 2 Years	7	5.8	5.8
	2-5 Years	39	32.2	38.0
	6-10 Years	9	7.4	45.5
	Above 10 Years	66	54.5	100.0
	Total	121	100.0	
Respondent Category	Banker	72	59.5	59.5
	Customer	49	40.5	100.0
	Total	121	100.0	
Total		125		

Source: Own Survey Data, 2021

As described on the above table 74 (61.2%) are male and 47 (38.8%) are females. Out of total 121 respondents 8 (6.6%) of them are between the age of 18-25, 43 (35.5%) of them are between the age of 26-35, 30 (24.8%) are in the age group of 36-40 and 40 (33.1%) of them are elder than 40 years. Regarding respondents' marital status, 55 (45.5%) are single while most of the respondents, i.e. 66 (54.5%) are married.

Educational level of the respondents' shows 5 (4.1 %) diploma holders, most of the respondents i.e. 66 (54.5%) are BSc/BA level, 37 (30.6%) of the respondents' education level is at MSC/MA, 4 (3.3%) have PhD and the rest 9 (7.4%) respondents' education level is other than the listed.

The above table also describes the service experience of the respondents as employee (banker). Among the total survey 121 (100%) respondents 7 (5.8%) have less than 2 years of experience, 39 (32.2%) have 2-5 years-experience, 9 (7.4%) of the respondents have an experience with the bank for years 6-10. The majority or 66 (54.5%) of the respondents have above 10 years of experience within the bank as a loan service employee (banker) or taker. With regard to respondent category 72 (59.5%) of them are loan service givers (senior bankers) while 49 (40.5%) of the respondents are new banker (junior bankers). From the above table and description one can simply understand that the respondents' distribution is fair enough to gain full information and are knowledgeable to give important information regarding the subject matter.

4.3.1 Capacity of the borrower

As shown in Table 4.2 here below, when asked if the bank have loan policy incorporated inherent in all products and activities on which the bank engaged on. Majority, 105 (86.8%), of the respondents strongly agree to the statement while the rest 16 (13.2%) of the respondents agree. Similarly, the mean distribution 4.87 represents the respondents answer is closer to strongly agree to the statement. This indicates that the banks have loan policy incorporated inherent in all products and activities on which the bank engaged on. Same-wise the interview response of the top managers yield the same result that the banks have incorporated the loan policy to all services and activities on which they are engaged on.

Table 4: SPSS result that shows level of agreement of the respondents towards the capacity of the borrower

Attitude of respondents towards the capacity of the borrower		5	4	3	2	1	Total	Mean Scale
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree		
Does the bank have loan policy incorporated inherent in all products and activities on which the bank engaged on?	Fre	105	16	0	0	0	121	4.87
	%	86.8	13.2	-	-	-	100	
Does the borrower will carefully completed the loan request application forms?	Fre	107	14	0	0	0	121	4.88
	%	88.4	11.6	-	-	-	100	
Does the borrowers present their legal business certificates such as (Trade registration license, trade license, Tax identification certificate, Memorandum and Article of Association, and other evidences?	Fre	101	10	10	0	0	121	4.75
	%	83.5	8.3	8.3	-	-	100	
Does the borrower will present an audited or draft financial report?	Fre	58	60	3	0	0	121	4.45
	%	47.9	49.6	2.5	-	-	100	
Are the employees of credit officers of the banks highly responsible and accountable in the process of a loan service provision?	Fre	65	47	6	3	0	121	4.44
	%	53.7	38.8	5.0	2.5	-	100	
Does the borrower will carefully completed the loan request application forms?	Fre	107	14	0	0	0	121	4.88
	%	88.4	11.6	-	-	-	100	
Are the employees of credit officers of the banks having necessary skills about the loan processes services?	Fre	98	17	6	0	0	121	4.76
	%	81.0	14.0	5.0	-	-	100	
Are employees of loan officers committed to provide credit information with the borrowers at the time of banking service provision	Fre	91	27	3	0	0	121	4.73
	%	75.2	22.3	2.5	-	-	100	
Is there an effective internal control system to monitor and control overall loan portfolio operation?	Fre	100	18	3	0	0	121	4.80
	%	82.6	14.9	2.5	-	-	100	
Does the bank permit loan for its borrowers on the basis of first come first serve approach?	Fre	83	32	6	0	0	121	4.64
	%	68.6	26.4	5.0	-	-	100	
Does the bank hold adequate collateral properties against the loan disbursed?	Fre	91	27	3	0	0	121	4.73
	%	75.2	22.3	2.5	-	-	100	

Attitude of respondents towards the capacity of the borrower		5	4	3	2	1	Total	Mean Scale
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree		
Does the bank do effort to identify and track the default outstanding loans?	Fre	94	24	3	0	0	121	4.75
	%	77.7	19.8	2.5	-	-	100	
Does the bank have practice of renegotiations between the bank and the borrowers?	Fre	0	29	89	3	0	121	3.21
	%	-	24.0	73.6	2.5	-	100	

The respondents' response towards carefulness of completion of the loan request application forms shows 107 (88.4%) strongly agree and 14 (11.6%) agree to the issue. The mean distribution is 4.88, which is near to strong agreement level. This result shows that the customers (borrowers) complete the loan request application forms with high attentiveness.

The other question raised to the respondents was “Does the borrowers present their legal business certificates such as (Trade registration license, trade license, Tax identification certificate, Memorandum and Article of Association, and other evidences?” 101 (83.5%) of the respondent strongly agree, 10 (8.3%) agree, and 10 (8.3%) % of the respondents have neutral opinion towards the question. The mean value gained is 4.75 which is nearer to strong agreement. From this we can determine that the borrowers present their legal business certificates such as (Trade registration license, trade license, Tax identification certificate, Memorandum and Article of Association, and other evidences) to the banks at the time of requesting for loan.

For the question “does the borrower present an audited or draft financial report?” most of the respondents 60 (49.6%) of the respondents have an agree response while 58 (47.6%) of the respondents strongly agree; the rest few respondents 3 (2.5%) have neutral response. The mean value 4.45 is closer to agree. Therefore, we can infer that the borrowers present audited or draft of their financial report to the banks.

The respondents are also requested if they agree that the employees of credit officers at the banks are highly responsible and accountable in the process of loan service provision. The result shows that 65 (53.7%) strong agreement, 47 (38.8%) agreement, 6 (5%) neutral response, and 3 (2.5%)

disagreement with the mean distribution of 4.44 which is more-closer to agreement. From the result we can understand that the credit officers at the three banks are responsible and accountable in the process of loan service provision towards the decision they made.

Respondents were asked if the employees of credit officers of the banks have necessary skills about the loan processes services. From the total of 121 respondents the majority or 98 (81%) of the respondents strongly agree, the rest 17 (14%) agree, and 6 (5%) indifferent on the issue. The mean distribution is 4.76 which is closer to strong agreement. This implies that the officers working at credit facilitation of the three banks have the highest necessary skills about the loan procedure.

The commitment of the employees of loan officers to provide credit information with the borrowers at the time of banking service provision is one of the questions rendered to the respondents. Their response is 91 (75.2%) strongly agree, 27 (22.3%) agree, 3 (2.5%). The mean distribution is 4.73 this is closer to strongly agree this implies that the commitment of the employee in rendering loan service to the borrowers by offering valuable information has excellent performance. This level of commitment is an important asset for the effectiveness of loan performance management for the banks and even to the borrowers.

Majority of the respondents 100 (82.6%) replied they strongly agree that there is an effective internal control system to monitor and control the overall loan portfolio operation. The rest respondent or the minorities reply that they agree to the statement 18 (14.9%) and 3 (2.5%) have neutral opinion towards the statement. The mean scale from SPSS is 4.8 which shows strong agreement to the issue. From the result the internal control system to monitor and control the overall loan portfolio operation has an excellent accomplishment.

The respondents' response to the statement if the bank permit loan for its borrowers on the basis of first come first serve approach is 83 (68.6%) strongly agree, 32 (26.4%) agree and 6 (5%) have indifferent attitude to the statement. The mean value 4.64 signifies the respondents strongly agree to the statement. The result clearly indicates that the bank permit loan for its borrowers (customers) on the basis of first come first served approach.

Regarding the adequate collateral hold by the banks the respondents were asked to reply if the banks hold adequate collateral properties alongside with the loan disbursed. Their answer for this is 91 (75.2%)strongly agree, 27 (22.3%) agree, and3 (2.2%) neutral. The mean distribution is 4.73 closer to strongly agree, this implies that the banks hold adequate collateral property with the loan expended.

The banks effort to identify and truck the default outstanding loans has strong agreement level with mean scale of 4.75 and 94 (77.7%) response. While the banks' practice of renegotiations between the banks and the borrowers has a little bit smaller mean value 3.21 which is closer to indifference (neutral) response. This shows that the banks' renegotiation practice is uncertain or not disclosed to the employees or it is not practiced well which requires improvement measures by the top management.

4.3.2 Compliance Issues

The below table indicates the attitude of the employees towards the union's full discretion in carrying out its activities in the organization; from the total respondents 12 (10%) strongly agree, 81(64.7%) of the respondents agree, 15 (12.7%) choose indifferent, 12 (9.3%) disagree and 4 (3.3%) of the respondents disagree strongly. The mean distribution is 2.3 which are closer to agree. This shows that union has full discretion in carrying out its activities in the organization. Regarding to the question the union is strong in ensuring the interest and right of employees 28 (9.3%) of the respondents strongly agree, 168 (56%) do agree, 60 (20%) chose indifferent, 32(10.7%) of the respondents disagree and 12 (4%) of the respondents strongly disagree. The mean distribution is 2.4 which is closer to agree. This implies that the employees feel that the union is participating actively in insuring their interests and right.

Table 5: SPSS result that shows level of agreement of respondents towards the compliance issues

Attitude of respondents towards the compliance issues		5	4	3	2	1	Total	Mean Scale	Remark
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree			
Does the bank have loan policy incorporated inherent in all products and activities on which the bank engaged in?	Fre	46	64	11	0	0	121	4.29	Agree
	%	38.0	52.9	9.1	-	-	100		
Does the bank established line of authority and responsibility for those staffs that are performed a credit operations?	Fre	0	0	31	51	39	121	1.93	Disagree
	%	-	-	25.6	42.1	32.2	100		
Does the bank domestic banking procedure meet the necessary international standards of accuracy, confidentiality, promptness and completeness?	Fre	0	0	10	45	66	121	1.54	Strongly Disagree
	%	-	-	8.3	37.2	54.5	100		
Does the bank providing loans and advances for sectorial in order to address the national economy growth and development?	Fre	0	0	26	78	17	121	2.07	Disagree
	%	-	-	21.5	64.5	14.0	100		
Does the bank have a list of default loans for non-performing loans?	Fre	0	0	21	61	39	121	1.85	Disagree
	%	-	-	17.4	50.4	32.2	100		
Does the bank have gather borrowers satisfaction complaints for those outstanding loans?	Fre	0	0	0	90	31	121	2.75	Neutral
	%	-	-	-	74.4	25.6	100		
Does the bank follows international standard banking practice (ISBP) when examining documents of portfolio loans?	Fre	0	0	50	26	45	121	2.04	Disagree
	%	-	-	41.3	21.5	37.2	100		
Does the bank established line of authority and responsibility for those staffs that are performed a credit operations?	Fre	0	0	31	51	39	121	1.93	Disagree
	%	-	-	25.6	42.1	32.2	100		
Does outstanding loans follow up are traced and captured by the technological support and managed by the banks?	Fre	0	0	38	82	1	121	2.31	Disagree
	%	-	-	31.4	67.8	0.8	100		

Attitude of respondents towards the compliance issues		5	4	3	2	1	Total	Mean Scale	Remark
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree			
Are all outstanding loan approvals done as per the international practice within acceptable time limit?	Fre	0	0	93	28	0	121	2.77	Neutral
	%	-	-	76.9	23.1	-	100		
Does the borrower take loan as per the policy incorporated and activities on which the business engaged in?	Fre	0	0	5	32	84	121	1.35	Strongly Disagree
	%	-	-	4.1	26.4	69.4	100		
Does the borrower presented feasibility study in line with the loans that are helping for the need?	Fre	0	5	24	49	43	121	1.93	Disagree
	%	-	4.1	19.8	40.5	35.5	100		
Does the loan procedure meet the necessary international standards of accuracy, confidentiality, promptness an completeness?	Fre	0	0	28	48	41	121	1.96	Disagree
	%	-	-	23.1	39.7	33.9	100		

As was shown in the above table the attitude of respondents towards the compliance issues, the respondents were queried to reply if they agree to the statement the bank they work at or are customer to has loan policy incorporated inherent in all products and activities on which the bank engaged in, the response was 46 (38%) strongly agree, 64 (52.9%) agree, 11 (9.1%) neutral. The mean distribution is 4.29 which is more than agree level. This shows that the banks have loan policy. This result is similar to that of the previous question in the general loan performance section which shows the great agreement to the statement the banks have loan policy incorporated inherent in all products and activities on which they engaged at.

Respondents disagree to the statements that state the bank established line of authority and responsibility for those staffs that are performed a credit operation, the bank providing loans and advances for sectorial in order to address the national economy growth and development; the bank have a list of default loans for non-performing loans; the bank follows international standard banking practice (ISBP) when examining documents of portfolio loans; the bank established line of authority and responsibility for those staffs that are performed a credit

operations; outstanding loans follow up are traced and captured by the technological support and managed by the banks; the borrower presented feasibility study in line with the loans that are helping for the need; and the loan procedure meet the necessary international standards of accuracy, confidentiality, promptness and completeness.

And strongly disagree to the statements stating the bank domestic banking procedure meet the necessary international standards of accuracy, confidentiality, promptness and completeness; the borrower take loan as per the policy incorporated and activities on which the business engaged in. While they are neutral to the statements of the banks have gather borrowers' satisfaction complaints for those outstanding loans; and if all outstanding loan approvals done as per the international practice within acceptable time limit.

From the finding we can agree that the banks have loan policy which is inherent to all the loan areas they serve their customers is in a good stance. On the other hand, the line of authority and responsibility of the officials needs improvement and the banks need to follow ISBP which is important to enable them compete globally. At the same time the borrower are required to present feasibility study in line with the loans that are helping for the need; and the loan procedure shall meet the necessary international standards of accuracy, confidentiality, promptness and completeness. An improvement programs have to be designed to upgrade the satisfaction level of the customers and illuminate complaints and international practices in an acceptable time period.

4.3.3 Domestic Banking Issues

Table 6: SPSS result that shows level of agreements towards the domestic banking issues

Attitude of respondents towards the domestic banking issues		5	4	3	2	1	Total	Mean Scale	Remark
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree			
Does the bank have developed a loan performance management policy?	Fre	53	26	3	39	0	121	3.45	Agree
	%	43.8	21.5	2.5	32.2	-	100		
Does the bank generate sufficient loan fund	Fre	0	102	19	0	0	121	3.84	Agree

Attitude of respondents towards the domestic banking issues		5	4	3	2	1	Total	Mean Scale	Remark
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree			
to borrowers to meet the demand for customers?	%	-	84.3	15.7	-	-	100		
Does the bank are avail sufficient fund to provide loan?	Fre	0	78	43	0	0	121	3.64	Agree
	%	-	64.5	35.5	-	-	100		
Does the bank established line of authority and responsibility for those staffs that are performed a credit operations?	Fre	0	0	31	51	39	121	2.07	Disagree
	%	-	-	25.6	42.1	32.2	100		
Does the bank lack transparency in foreign currency allocation utilization?	Fre	0	0	28	93	0	121	2.23	Disagree
	%	-	-	23.1	76.9	-	100		
How long the bank credit officers mad a follow-up visit the borrowers?	Fre	0	0	120	1	0	121	2.99	Neutral
	%	-	-	99.2	0.8	-	100		
Does the banks' reputedly requesting the same and similar documents. Repeated request of the same documents are creating confusion and delay for the loan processes?	Fre	21	36	47	17	0	121	3.50	Agree
	%	17.4	29.8	38.8	14	-	100		
Does the bank implement the customer satisfaction management practice and customer handling management department for any complaints?	Fre	83	29	5	4	0	121	4.58	Strongly Agree
	%	68.6	24	4.10	3.30	-	100		
Does the borrower have prepared a feasibility study before taking loan?	Fre	56	48	14	3	0	121	4.30	Agree
	%	46.3	39.7	11.6	2.5	-	100		
Does the bank generate sufficient loan fund to borrowers to meet the demand for customers?	Fre	0	102	19	0	0	121	3.84	Agree
	%	-	84.3	15.7	-	-	100		
Does the borrowers take loan as what they requested as per the study?	Fre	28	45	41	7	0	121	3.78	Strongly Disagree
	%	23.10	37.20	33.90	5.80	-	100		
Does the bank keep and engaged with the	Fre	0	0	34	87	0	121	2.28	Disagree

Attitude of respondents towards the domestic banking issues		5	4	3	2	1	Total	Mean Scale	Remark
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree			
borrowers to support in order to meet the goal of feasibility study?	%	-	-	19.8	40.5	-	100		

Concerning the domestic banking issues respondents are requested to answers related, the first question was does the bank have developed a loan performance management policy? 53 (43.8%) respondents strongly agree, 26 (21.5%) agree, 3 (2.5%) neutral, 39 (32.2%) disagree to the statement; and the mean distribution is 3.45. This mean result implies that the bank has developed a loan performance management policy.

By referring to the mean results of the above table the majority of the respondents agree to the statements: -the bank generate sufficient loan fund to borrowers to meet the demand for customers; the banks avail sufficient fund to provide loan; the borrower have prepared a feasibility study before taking loan;

Majority of the respondents disagree with the statements: the bank established line of authority and responsibility for those staffs that are performed credit operations; the bank lack transparency in foreign currency allocation utilization; the banks' repeatedly requests the same and similar documents. Repeated request of the same documents are creating confusion and delay for the loan processes; the bank generate sufficient loan fund to borrowers to meet the demand for customers; the borrowers take loan as what they requested as per the study

Most of the respondents have neutral insight to statements the bank credit officers made a frequent follow-up visit to the borrowers,

Majority of the respondents have strong agreement to the statement that states the bank implement the customer satisfaction management practice and customer handling management department for any complaints.

Therefore, from this finding one can infer that banks implementing the customer satisfaction practices and establishing customer handling department for complaints has important impact on achieving good loan performance management. Establishing line of authority and responsibility is crucial however the banks lack it; even-if the banks selected for this study are transparent in foreign currency allocation utilization. The banks do not request for the same documents again and again; this is important because it reduces confusion and delay of the loan process. The banks' capability of generating sufficient loan fund to borrowers to meet the demand of their customers need frequent improvement, at the same time the borrowers need to detail study before taking loan. The banks should keep up their capability of offering sufficient loan to the customers and the borrowers also have to prepare feasibility study before beginning a new business and taking loan from the banks for the desired business.

4.3.4 Loan Return Time

Table below shows respondents' answer towards loan return time.

Table 7: SPSS result that shows the level of agreement towards the loan return time issues

Attitude of respondents towards the loan return time issues		5	4	3	2	1	Total	Mean Scale	Remark
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree			
Does the credit officers are making orientation for the pre-loan process to the borrowers? If your answer is yes please provide us the form	Fre	3	103	8	7	0	121	3.84	Agree
	%	2.5	85.1	6.6	5.8	-	100		
If the borrowers are settled their loan timely, doesn't the bank share offering to repeat for the next time loans?	Fre	0	18	100	3	0	121	3.12	Agree
	%	-	14.9	82.6	2.5	-	100		
Does the borrower have prepared a feasibility study before taking loan?	Fre	56	48	14	3	0	121	4.30	Agree
	%	46.3	39.7	11.6	2.5	-	100		
Does the bank have identified the major challenges items?	Fre	9	1	104	4	3	121	3.07	Agree
	%	7.4	0.8	86.0	3.3	2.5	100		

Attitude of respondents towards the loan return time issues		5	4	3	2	1	Total	Mean Scale	Remark
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree			
Do the banks have made malpractice regarding to loan operation for borrowers?	Fre	0	12	90.1	0	0	121	3.10	Agree
	%	-	9.9	109	-	-	100		
Does the bank take appropriate measure over the expected gaps?	Fre	0	12	90.1	0	0	121	3.10	Agree
	%	-	9.9	109	-	-	100		
Does the borrowers clearly read the loan agreement and easily understand what the contents say?	Fre	0	6	101	4	6	121	2.95	Agree
	%	-	8.3	83.5	3.3	5	100		
Does the bank implement the customer satisfaction management practice and customer handling management department for any complaints?	Fre	0	110	4	1	6	121	3.80	Strongly Agree
	%	-	90.90	3.3	0.8	5.0	100		
Do the banks have made an immediate handling for the lack of customer satisfaction assessment result?	Fre	0	103	6	5	7	121	3.69	Strongly Agree
	%	-	85.1	5	4.1	5.8	100		
Does the borrower have prepared a feasibility study before taking loan?	Fre	56	48	14	3	0	121	4.30	Agree
	%	46.3	39.7	11.6	2.5	-	100		
Does the bank appropriately evaluate and assess the value of collateral which the borrowers presented?	Fre	15	102	1	3	0	121	4.07	Agree
	%	12.4	84.3	0.8	2.5	-	100		
Does the borrower have prepared a feasibility study before taking loan?	Fre	56	48	14	3	0	121	4.30	Agree
	%	46.3	39.7	11.6	2.5	-	100		
What effect of the covid-19 virus in the process of loan and advance repayment of?	Fre	88	24	3	0	0	115	4.74	Strongly Agree
	%	72.7	19.8	2.5	-	-	95		
Does the borrower have prepared a feasibility study before taking loan?	Fre	56	48	14	3	0	121	4.30	Strongly Agree
	%	46.3	39.7	11.6	2.5	-	100		

As can be understood from the above table the agreement level of respondents to the questions that concern with in time loan return issues most of the responses fall under the agree and strongly agree levels as shown in the remark column of the table. The first queried request is if the credit officers are making orientation for the pre-loan process to the borrowers, and most of the respondents agree that there is a pre-loan orientation in the selected banks. The same wise, the respondents agree to the statements the borrowers are settled their loan timely, doesn't the bank share offering to repeat for the next time loans; the borrower have prepared a feasibility study before taking loan; the bank have identified the major challenges items; the banks have made malpractice regarding to loan operation for borrowers; the bank take appropriate measure over the expected gaps; the borrowers clearly read the loan agreement and easily understand what the contents say; the borrower have prepared a feasibility study before taking loan; the bank appropriately evaluate and assess the value of collateral which the borrowers presented, the borrower have prepared a feasibility study before taking loan, and the borrower have prepared a feasibility study before taking loan.

Respondents strongly agree to the statements: the banks implement the customer satisfaction management practice and customer handling management department for any complaints; and the banks have made an immediate handling for the lack of customer satisfaction assessment result; the effect of the covid-19 pandemic has a negative impact in the process of loan and advance repayment. From the finding results we can easily understand that all loan return issues have an impact on loan performance management of the selected banks.

4.4 Inferential Results

4.4.1 Regression Analysis Result

The objective of this study was to determine the impact of loan performance management. In order to study the relationship between the dependent and independent variables and specify the best predictors of the dependent variable (Loan performance Management) a multiple Regression model was applied. Multiple regressions were used for testing the model and hypotheses. It provides information regarding the significance of the variables that were included in the model while the R^2 explains how much variance in the dependent variable is explained by the model or

how much the business performance is explained by the constructed variables. Statements of hypothesis were formulated based on the eight variables used in this study in order to come up with the results.

Table 8: Regression model summary

Model Summary									
Model	R	R Square	Adjusted 'R' Square	Std. Error of the Estimate	Change Statistics				
					'R' Square Change	F Change	df1	df2	Sig. Change
1	.835 ^a	.754	.724	.318	.754	215.298	4	318	.001
a. Predictors: (Constant), capacity of the borrower, compliance issues, domestic banking issues, Loan return time									

Source: Own research survey, 2021

The above table shows two important elements, thus R, and R². From this table, R shows significant positive relationship of 0.855 which is 83.5%. The R² value =0.754 meaning 75.4% of the variance in the model can be predicted using the independent variables or in simple words 75.4% of Loan Performance Management is explained by the constructed independent variables. However, the remaining 24.6% changes in organizational Performance of CBE, BOA, and NIB are caused by other Loan Performance Management elements that are not included in the model. Therefore, the constructed loan performance dimensions (such as, general loan performance, compliance issues, domestic banking issues, and Loan return time) are good explanatory variables of the loan performance management practices influencing CBE, BOA, and NIB loan performance management.

4.4.2 ANOVA Analysis Result

Table 9: ANOVA

ANOVA^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	132.145	4	33.536	251.298	.001 ^b
	Residual	51.740	318	.131		
	Total	183.885	350			
a. Dependent Variable: Loan Performance Management						
b. Predictors: (Constant), capacity of the borrower, compliance issues, domestic banking issues, Loan return time						

Source: own research survey, 2021

From the ANOVA table above the Significance value 0.05 is larger than the calculated sig. value of 0.001. This shows the statistically significant relationships between the

four independent variables (capacity of the borrower, compliance issues, domestic banking issues, and Loan return time) and loan performance management at 5% significance level. This means, the four explanatory variables have great impact on their organizational performance. But, it does not mean that all these impacts of loan performance management have equally significant correlation with business performance. Beside the F statistics (251.298) which is used to measure the overall test of significance of the model was presented, and the model is well fitted at 5 percent level of significance

4.4.3 Regression Coefficient Analysis

Table 10: Coefficients'

Coefficients'						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.353	.106		-3.335	.001
	capacity of the borrower,	.169	.025	.186	6.860	.000
	compliance issues,	.348	.025	.372	13.870	.000
	domestic banking issues,	-.336	.16	.570	21.073	.000
	Loan return time	.190	.15	.345	12.887	.000
a. Dependent Variable: loan performance management						

Source: own research survey, 2021

In the table above, coefficients indicated how much the dependent variable varies with an independent variable, when all other independent variables are held constant. The Beta coefficients indicated that how and to what extent the independent variables affect the dependent variable. Accordingly, the result of coefficient value of regression analysis indicated the highest impact which affect the loan performance management was domestic banking issues (at Beta value=0.570), loan return time (Beta=0.345), and capacity of the borrower(Beta=0.186).However, compliance issues negatively affect the loan performance management of the selected banks with (Beta = -0.372).

As was shown in the above table, a unit change in the explanatory variable i.e., capacity of the borrower keeping all other explanatory variables constant / unchanged indicates 18.6% change in the loan performance management of the selected banks. On the other hand, a unit change in the compliance issues keeping all other explanatory variables constant / unchanged negatively affect

the loan performance management of the selected banks with 37.2%. A unit change in domestic banking issues keeping other explanatory variables constant has 57% effect on the loan performance. On the other way 34.5% of the change in the loan performance is caused by the explanatory variable loan return time keeping other explanatory variables unchanged.

Thus, from the finding all strategies have positive and statistically significant influence on organizational performance because the p (sig) value in correlation table is less than $\alpha=.05$ level. Therefore, from the loan performance management impacts identified in this research one can infer that all capacity of the borrower, compliance issues, domestic banking issues, and loan return time have the most statistically significant relationship impacting loan performance management of CBE, BOA, and NIB.

4.3.3 Regression Equation

Based on the above table 4.9 finding we can develop the following Regression equation:

$$LPM = -0.353 + 0.169X_1 + 0.336X_2 + 0.348X_3 + 0.190X_4$$

Where, X_1 = capacity of the borrower,

X_2 = compliance issues,

X_3 = domestic banking issues,

X_4 = Loan return time

LPM = Loan Performance Management

Based on the above model result, all the explanatory variables have significant and positive effect on loan performance management. The un-standardized B capacity of the borrower = 0.169 .i.e. 100% change in capacity of the borrower leads to 16.9% change in loan performance management, domestic banking issues = 0.336 indicating that 100% change in domestic banking issues leads to 33.6% increase in loan performance management, compliance issues = 0.348 implies that a one unit change in compliance issues leads to 0.348 unit increase in loan performance management, loan return time = 0.190 signifies that a one unit change in loan return time results to 0.190 unit increase in loan performance management.

These findings provide significant support for the reliability, transaction efficiency and ease of use literature which advocates that the variables have a significant impact on loan performance management of CBE, BOA, and NIB.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

The previous chapter presented the results while this chapter is dedicated for the discussions of the research findings, conclusions and recommendations. Accordingly, section 5.1 shows the discussion in the context of literature while sections 5.2 to present conclusions and recommendations respectively.

5.1 Discussion of the research findings

As has been stated in chapter one the broad objective of this study was to identify the impact of loan performance management. Further, the following specific questions were formulated to contribute to meeting the general objective of the research:

- RQ-1 What is the effect of capacity of the borrower in the loan performance management of the selected commercial banks?
- RQ-2 What is the role of compliance related factors for the performance of loans at the selected commercial banks?
- RQ-3 To what extent domestic banking issues affect the loan performance management of the selected commercial banks?
- RQ-4 How does the loan return time affect the loan performance management of the selected commercial banks?

In respect of the factors affecting NPL, the subjective question in the survey and in-depth interviews identified factors such as poor client screenings , the increment of delinquency loan, the major causes for the default loans, the major indicator of the performances loans, underdeveloped credit culture, lenient credit terms and conditions, aggressive lending, compromised integrity, weak institutional capacity, unfair competition among banks, willful default by borrowers and their knowledge limitation, fund diversion for unintended purpose. The study tried to investigate these factors further.

5.2 Conclusions

The broad objective of this research was to identify the gap and ensure the completeness of the screenings process, the disbursement of loan, monitoring and follow up process on the delinquent loans and active loans. Based on the broad objective number of specific research questions were developed. To achieve this broad objective, the study used mixed research approach both questioners and structured interview. More specifically, the study used survey of employees of banks, structured survey of documents of bank reports and structured interview of senior bankers. The results showed that, based on the respondents' view it was evident that most likely factors that affect occurrences of nonperforming loans in Ethiopian banks for the three years (year 2017 to 2019) are presented in the paragraphs that follow.

The study indicated that there were some poor screenings, poor centralized credit information's and credit assessment ascribing to capacity limitation of credit operators, institutional capacity drawbacks and unavailability of national data and conditions that were not practical and/or not properly discussed with borrowers had been the cause for occurrences of loan default.

In line with the major indicators of banks were measured by the expansion outreach coverage, the delinquency rate and its amount , the availability of loan fund , the size of bank , the customer handling , the portfolio report and other social elements are important.

Besides, despite the fact that credit monitoring/ follow-up plays pivotal role to ensure loan collection failure to do this properly was also found to be causes for sick loans. The research also indicated that over financing due to poor credit assessment, compromised integrity of credit operators were cause for incidences of NPL. In fact cases of under financing loan requirement that meant shortage of working capital or not being able to meet planned targets were associated with defaults. In addition, the study also found out that due to underdevelopment of credit orientation/culture borrowers engaged in business that they had no depth knowledge, diverted loans advanced for unintended purpose and at times made a willful default. The study also depicted that unfair competition among the banks along with the aggressive lending pursued added to the poor customer selection made in a motive to maximize profit by the banks and/ or due to the moral hazard or compromised integrity were the other causes for the loan defaults.

In-depth interview also indicated that underdevelopment of supervisory authority competence in formulating policies, monitoring capability also ascribe to occurrences of nonperforming loans earlier. On the other hand the study did not support the existing literature that state occurrences of nonperforming loans is related to bank's size, interest rate banks charge and ownership type of banks (private/state owned).

5.3 Recommendations

Based on the analysis of the research findings, the following recommendations are suggested: Even though all the banks have placed a screening policy for the legible loan, it lacks a vibrant collateral policy undertaking the guarantee. The availing loan funds against the request loan are delayed. Proactive monitoring and follow up and clear recovery strategies for sick loans. Banks should put in place a clear policy framework that addresses issues of conflict of interest, ethical standards, check and balance in decision making process for all those involved in the credit process ensure its implementation thereof.

Banks should give due emphasis it takes to developing the competency of credit operators, information system management pertaining to credit and efficiency of the credit process.

Recommendations for further studies

The focus of this study was to identify the impact of loan performance management from screening level to the follow level in the three banks for the last three years (2017 to 2019), therefore, recommended that a similar study be conducted a performance management at all level. In addition, assessing the statistical relationship between all bank specific factors and nonperforming loans in Ethiopia could be a future research agenda.

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Annex

List of banks

No.	PUBLIC	Branches
1	Commercial Bank of Ethiopia	1775
2	Development Bank of Ethiopia	93
	Private Banks	
1	Dashen Bank	426
2	Awash International Bank	447
3	Abyssinia Bank	486
4	Nib International Bank	304
5	United Bank	311
6	Wegagen Bank	391
7	Lion International Bank	259
8	Cooperative Bank of Oromiya	423
9	Oromia International Bank	287
10	Zemen Bank	49
11	Buna International Bank	229
12	Addis Interational Bank	71
13	Debub Global Bank	73
14	Abay Bank	222
15	Berhan International Bank	235
16	Enat bank	55
Total		6136
Source: Bank Supervision directorate (NBE)		

Variable description

Variable	Abbreviation	Description
Return on average asset	ROA	Net income Tax/Average
Return on average equity	ROE	Net income after tax /average equity
Net interest margin	NIM	Net Interest income / Total earnings asset
Bank specific		
Bank size	Size	Natural log of total asset +/-
Capital adequacy	CAR	Average equity /average asset +
Operational efficiency	CIR	Non interest costs /Interest income + non-interest income
Liquidity risk	LIQ	Liquid asset/ total asset
Loan deposit Ratio	LDR	Total/Deposit

APPENDIX 1 AND 4

APPENDIX I: Questionnaire
Addis Ababa University
School of Business and economics
Department of Management

MSC Program the questioners are designed for bankers

The purpose of this questionnaire is to carry out a research for the partial fulfillment of master's degree in MSC. This research topic is, "The impact of loan performances on Ethiopian banks for the last three years starting from year 2017 to year 2019 ". The outcome of the study will be used to suggest possible solution for problem identified. Thus, your free will and cooperation in giving the reliable information is very important. Any information provided by you will only be used for academic purpose. As a result it will be kept confidential and utmost secrecy. Please use a (X) mark and put the answer on the space provided.

N.B.

- No need of writing your name
- Please respond as accurately as possible at your earliest possible time.

Thank you in advance for taking your time to fill out this questionnaire!

The questionnaire has three parts, part one contains personal profile (demographic, characteristics of respondent) and part two enclosed specific questions related to bank's credit risk management. Part three enclosed questions related with an impact on loan performance management area

If I may be of further assistance, please do not hesitate to contact me in the following address.

WoldeamanuelMitiku , Tel 0911-64-52-05 or 0921-29-42-00

E-mail address woldeamanuel2@gmail.com

1. Part One Personal Profile

1.1. Sex : Male _____ Female _____

1.2. Age : 18-25 yrs __ 26-35 years __ 36-40 yrs __ more than 40 yrs _

1.3. Marital Status : Single _____ Married _____

1.4. Education Level: Diploma __ BS/BA __ MSC/MA __ Phd __ others __

1.5. Work experience in the bank : less than 2 yrs__ 2-5 yrs__ 6-10 yrs__ above 10 yrs ____

1.6. What is current position in the bank _____

Part Two: Questions related to General Loan Performance Management

No.	Questionnaire	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	Does the bank have loan policy incorporated inherent in all products and activities on which the bank engaged in?					
2	Does the borrower will carefully complete the Loan request Application forms?					
2	Does the borrowers presents their legal business certificates such as:(Trade registration license, trade license, Tax identification Certificate, Memorandum and Article of Association, and others evidences?					
3	Does the borrower will present an audited or draft financial report?					
4	Are the employees of credit officers of the banks highly responsible and accountable in the process of a loan service provision?					
5	Do the banks have established a central information center for the entire borrowers?					
5	Are the employees of credit officers of the banks having necessary skills about the loan processes service?					
6	Are employees of loan officers committed to provide credit information with the borrowers at the time of banking service provision					

7	Is there an effective internal control system to monitor and control overall loan portfolio operation?					
8	Does the Bank permit loan for its borrowers on the basis of first come first serve approach?					
9	Does the bank hold adequate collateral properties against the loan disbursed ?					
10	Does the bank do effort to identify and truck the default outstanding loans?					
11	Does the bank have practices of renegotiations between the bank and the borrowers?					

Compliance Issue with Domestic Banking Standards, in line with NBE directives

No	Description	1	2	3	4	5
1	Does the bank have loan policy incorporated inherent in all products and activities on which the bank engaged in?					
2	Does the Bank established line of authority and responsibility for those staffs that are performed a credit operations?					
3	Does the domestic banking procedure meet the necessary international standards of accuracy, confidentiality, promptness and completeness?					
4	Does the bank providing loans and advances for sectorial in order to address the national economy growth and development?					
5	Does the bank have a list of default loans for non-performing loans?					
6	Does the bank have gather borrowers satisfaction complaints for those outstanding loans?					
7	Does the Bank follows International Standard Banking Practice (ISBP) when examining documents of portfolio loans?					
8	Does the banks hosting the NBE supervision and control staffs for supervising domestic banking operation activities of the Banks?					
9	Does outstanding loans follow up are traced and captured by the technological support and managed by the bank?					

10	Are all outstanding loan approvals done as per the international practice within acceptable time limit?				

- I. Part Three: This section is designed to collect relevant information regarding Major challenges of domestic banking and issues related to impact of loan performances management. Please, check "X" and rate yourself honestly based on what you actually do given the statement using the following scales:

1- Strong Disagree 2-Disagree 3-Neutral 4- Agree 5- Strong Agree

No.	Description	1	2	3	4	5
1	Does the bank have developed a loan performance management policy?					
2	Does the Bank generate sufficient loan fund to borrowers to meet the demand for customers?					
3	Does the bank are avail sufficient fund to provide loan?					
3	Does the Bank develop well-organized technological software applications to track any outstanding loan status?					
4	Does the Bank lack transparency in foreign currency allocation utilization?					
5	How long the bank credit officers made a follow up visit the borrowers?					
6	How long it takes between the loan request date and the loan provided date?					
8	Does the bank's reputedly requesting the same and similar documents. Repeated request of the same documents are creating confusion and delay for the loan processes?					

Impact of loan performance management area

No.	Description	1	2	3	4	5
1	Does the credit officers are making orientation for the pre- loan process to the borrowers? If your answer is yes please provide us the form.					
2	If the borrowers are settled their loan timely, doesn't the banks are offering to repeat for the next time loans?					
3	Does the bank have developed internal control supervision of all completed loan forms on suspected conditions?					
4	Does the bank have identified the major challenges items?					
5	Do the banks have made malpractice regarding to loan operation for borrowers?					
6	Does the bank take appropriate measure over the expected gaps?					
7	Does the borrowers clearly read the loan agreement and easily understand what the contents say?					
8	Does the bank implement the customer satisfaction management practice and customer handling management department for any complaints?					
9	Do the banks have made an immediate handling for the lack of customer satisfaction assessment result?					
10	Doesn't the bank provide loan to borrowers who have a sound project study without any collateral?					
11	Does all the loans provided by the bank are covered by insurance?					

12	Does the bank appropriately evaluate and assess the value of collateral which the borrowers presented?					
13	What is the basis for the evaluation (historical, market, or others) of collateral items?					
14	What effect of the Covid-19 virus in the process of loan and advance repayment of?					
15	Are all credit officers and managers who are assigned in the loan process management?					

II. Finally please write your opinion if you have?

APPENDEX 2: Questionnaire
Addis Ababa University
School of Business and economics
Department of Management –MSC program

The questioners are Designed for borrowers

The purpose of this questionnaire is to carry out a research for the partial fulfillment of master's degree in MSC. This research topic is, "The impact of loan performances on Ethiopian banks for the last three years starting from year 2017 to year 2019 ". The outcome of the study will be used to suggest possible solution for problem identified. Thus, your free will and cooperation in giving the reliable information is very important. Any information provided by you will only be used for academic purpose. As a result it will be kept confidential and utmost secrecy. Please use a (X) mark and put the answer on the space provided.

N.B.

- No need of writing your name
- Please respond as accurately as possible at your earliest possible time.

Thank you in advance for taking your time to fill out this questionnaire!

The questionnaire has targeted the bank borrowers and it has three parts, part one contains personal profile (demographic, characteristics of respondent) and part two enclosed specific questions related to bank's credit risk management. Part three enclosed questions related with an impact on loan performance management area

If I may be of further assistance, please do not hesitate to contact me in the following address.

Woldeamanuel Mitiku , Tel 0911-64-52-05 or 0921-29-42-00

E-mail address woldeamanuel2@gmail.com

2. Part One Personal Profile

1.7. Sex : Male _____ Female _____

1.8. Age : 18-25 yrs __ 26-35 years __ 36-40 yrs __ more than 40 yrs _

1.9. Marital Status : Single _____ Married _____

1.10. Education Level: Diploma __ BS/BA __ MSC/MA __ Phd __ others __

1.11. Work experience in the bank : less than 2 yrs__ 2-5 yrs__ 6-10 yrs__
above 10 yrs ____

1.12. What is current position in the bank _____

Part Two: Questions related to General Loan Performance Management

No.	Questionnaire	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	Does the bank have loan policy incorporated inherent in all products and activities on which the bank engaged in?					
2	Does the borrower will carefully complete the Loan request Application forms?					
2	Does the borrowers presents their legal business certificates such as: (Trade registration license, trade license, Tax identification Certificate, Memorandum and Article of Association, and others evidences?					
3	Does the borrower will present an audited or draft financial report?					
4	Are the employees of credit officers of the banks highly responsible and accountable in the process of a loan service provision?					
5	Do the banks have established a central information center for the entire borrowers?					
5	Are the employees of credit officers of the banks having necessary skills about the loan processes service?					
6	Are employees of loan officers committed to provide credit information with the borrowers at the time of banking service provision					

7	Is there an effective internal control system to monitor and control overall loan portfolio operation?					
8	Does the Bank permit loan for its borrowers on the basis of first come first serve approach?					
9	Does the bank hold adequate collateral properties against the loan disbursed?					
10	Does the bank do effort to identify and truck the default outstanding loans?					
11	Does the bank have practices of renegotiations between the bank and the borrowers?					

Compliance Issue with borrowers Standards, in line with NBE directives

No	Description	1	2	3	4	5
1	Does the borrower take loan as per the policy incorporated and activities on which the business engaged in?					
2	Does the borrower presented feasibility study in line with the loans that are helping for the need?					
3	Does the loan procedure meet the necessary international standards of accuracy, confidentiality, promptness and completeness?					
4	Does the bank providing loans and advances for sectorial in order to address the national economy growth and development?					
5	Does the bank have a list of default loans for non-performing loans?					
6	Does the bank have gather borrowers satisfaction complaints for those outstanding loans?					
7	Does the Bank follows International Standard Banking Practice (ISBP) when examining documents of portfolio loans?					
8	Does the banks hosting the NBE supervision and control staffs for supervising domestic banking operation activities of the Banks?					
9	Does outstanding loans follow up are traced and captured by the technological support and managed by the bank?					
10	Are all outstanding loan approvals done as per the international practice within acceptable time limit?					

III. Part Three: This section is designed to collect relevant information regarding Major challenges of domestic banking and issues related to impact of loan performances management. Please, check "X" and rate yourself honestly based on what you actually do given the statement using the following scales:

1- Strong Disagree 2-Disagree 3-Neutral 4- Agree 5- Strong Agree

No.	Description	1	2	3	4	5
1	Does the Borrower have prepared a feasibility study before taking loan?					
2	Does the Bank assess and evaluate the viability of the feasibility study before providing loans?					
3	Does the bank are avail sufficient fund to provide loan?					
4	Does the Borrowers take loan as what they requested as per the study?					
5	Do you agree how much the Bank keeps transparency in foreign currency allocation utilization?					
6	How much the bank credit officers keep a follow up visit and support the borrowers?					
7	How long it takes between the loan request date and the loan provided date is takes?					
8	Does the bank's reputedly requesting the same and similar documents such as trade license, Tin certificate for the renewal of loan ?					
9	Does the bank keep and engaged with the borrowers to support in order to meet the goal of feasibility study?					

Impact of loan performance management area

No.	Description	1	2	3	4	5
1	Do the borrowers get sufficient pre loan orientation by the bank credit officers?					
2	If the borrowers are settled their loan timely, doesn't the bank share offering to repeat for the next time loans?					
3	Does the borrower have developed internal control supervision department how to manage its organization financial goal?					
4	Does the borrower have identified the major challenges items?					
5	Do the borrowers have made malpractice regarding to loan operation for loans?					
6	Does the borrower take appeal to the bank to take measure over the expected gaps?					
7	Does the borrowers clearly read the loan agreement and easily understand what the contents say?					
10	Doesn't the bank provide loan to borrowers who have a sound project study without any collateral?					
11	Does all the loans provided by the bank are covered by insurance?					
12	Do you agree how the bank appropriately evaluate and assess the value of collateral which the borrowers presented?					
13	What is the basis for the evaluation (historical, market, or others) of collateral items?					
14	What effect of the Covid-19 virus in the process of loan and advance repayment of?					
15	Are all credit officers and managers who are assigned in the loan process management?					
16	How the new cash holding limit is affecting the cash management of the borrowers?					

IV. Finally please write your opinion if you have?

TYPE	NIB international BANK	ABYSSINIA international BANK	CBE
DATE OF ESTABLISHMENT	26 TH May 26 th 1999, with licensed # LBB/007/99	Feb 15 th 1996	The bank was under the state bank of Ethiopia which was founded 1942, for CBE to be founded separately 1963
Owner ship status	Private owned	Private owned	State owned
CAPITAL	Initial capital 27.6 paid capital 150 o/s capital	17.8 Million paid up capital 50. O/S Million capital	303.6 billion as at 2015
NO OF BRANCHES		331 branches	1000+branches .CBE banking network has reached online 783 branches. the bank has reached 1284 branches as of 2018
NO OF STAFFS	Initially it was 717 , now it reaches	Initial 131 now it reach 5825	34,879 permanent employees
VISSION	Vision (To be an Icon of service excellence & a leading commercial bank in Ethiopia.)	Vision (to be the bank of choice for customers employees & share holders	Vision to become a world class commercial bank by the year 2025
MISSION	Mission (to provide customer focused and innovative banking service through motivated staff and state of art technology).	Mission (to provide customer focused financial service through competent motivated employee & modern technology in order to maximize value to all stake holders	Mission we are committed to realize stakeholders values through enhance financial intermediation by deploying best professionals and technology
Value	Transparent, accessible ...	Putting customer first Committed to excellence Being honest & accountable Working together as a team Caring for our community.	Value • Integrity • Service excellence • Professionalism • Empowerment • Team work.....
SLOAGNS	Committed to service excellence ደህረ ልክልና አገልግሎት	ግብአት!!!	የኢትዮጵያ ንግድ ባንክ ሁሉም የሚተማመኑበት ባንክ
NO. OF ACCOUNT HOLDERS		1,012,177 account holders	27.5 million account holders 4.6 million mobile account holders 4.6 million ATM holders
NO OF SHARE HOLDERS		Now 2176	Government owned
Building			565.50 billion (2018)
Gross profit			37.24 billion birr (2018)
Revenue			10.32 billion birr (2018)
Total ASSET			712. BILLION
Current name of the banks president		Bekalu (president)	Abie Sano (President)
TOTAL DEPOSIT			541.20
REMITTANCE			6.6 USD COLLECTED
LOAN DISBURSED			129 BILLION BIRR IN THE FISICAL YEAR
Out of Ethiopia branches			Two branches in south Sudan reopening in Djibouti and opening in Dubai and Washington DC all to serve to Ethiopian diaspora community

Questions for the following Banks:- APPENDEX THREE

1. Updated the number of branches
2. What is the international standard of each branch need to cover?
3. Comparing to the sub-Saharan countries standard what is the position of your bank?
4. Latest reports on the loan and advances
 - I. Quarter report
 - II. Annual report
 - III. NBE supervision department report
5. Number of active loans and its value
6. Number of default loan and its value
7. Delinquent loans risk at 30 days
8. Delinquent loans risk at 90 days
9. Repeated loan takers
10. What are the major causes for the default items?
 - I.
 - II.
 - III.
 - IV.
 - V.
 - VI.
.....
 - VII.
.....
 - VIII.
.....
11. What are the major indicators for the loan performance of bank?
12. How many businesses and individuals have applied for loan and out of them how much of them are rejected at the screening stage?