ASSESSMENT OF CREDIT MANAGEMENT PRACTICE;THE CASE OFOROMIA INTERNATIONAL BANK S.C

BY

Meti Keno

I.D NO.GSE/0815/2011

E-Mail: metik19872gmail.com

Advisor: Alem Hagos (PhD)

A Thesis Submitted to school of graduate studies of Addis Ababa University in Partial Fulfilment of the Requirements for the degree of masters of science (MSc) in Accounting and Finance

April, 2021
Addis Ababa
Ethiopia

ASSESSMENT OF CREDIT MANAGEMENT PRACTICE

THE CASE OF OROMIA INTERNATIONAL BANK S.C

BY METI KENO

GSE/0815/2011 A.A

April, 2021
Addis Ababa
Ethiopia

ASSESSMENT OF CREDIT MANAGEMENT PRACTICE

THE CASE OF OROMIA INTERNATIONAL BANK S.C

BY METI KENO

GSE/0815/2011 A.A

A Thesis Submitted to Department of Accounting and Finance in Partial Fulfilment of the Requirements for the Degree of Master of Science in Accounting and Finance

April, 2021
Addis Ababa
Ethiopia

Declaration

I hereby declare that this thesis work entitled '**Assessment of Credit Management Practice, the Case of Oromia International Bank S.C.'** submitted for the partial fulfilment of the requirements for the Degree of Masters in Accounting and Finance at Addis Ababa University is my own research work and that all references materials contained therein have been duly acknowledged. It has not previously been submitted fully or partially for a degree at this or any other University.

Name: **Meti Keno** Signature------------------------- Date ------------------------

Advisor'sName: **AlemHagos** (PhD) Signature------------------------------- Date------------------------

Certification

Addis Ababa University

School of Graduate Studies

This is to certify that the thesis prepared by Meti Keno, entitled ‘‘**Assessment of Credit Management Practice, the Case of Oromia International Bank S.C’**submitted for the partial fulfilment of the requirements for the Degree of Masters in Accounting and Finance at Addis Ababa University compiles with the regulations of the University and meets the accepted standards with respect to originality and quality.

Signed by the Examining Committee:

Examiner ___________________________ Signature ______________Date____________

Examiner ___________________________ Signature ______________Date_____________

Advisor: **Dr.AlemHagos** Signature ______________Date_____________

Chair of Department of Graduate Program Coordinator

Acknowledgements

First and for most, all many thanks and praise is to Almighty God, most gracious and most merciful, for His safeguard and brightened direction of my personal and academic journey. I am indebted to extend my deep gratitude and many thanks to various individuals who helped me with the accomplishment of this thesis work. It makes me sense and feel proud to express my heartfelt gratefulness to some of them. A specialgratitude and honourable appreciation is to my advisor**Dr.AlemHagos** for hisunreserved guidance, invaluable assistance, constructive comments and restless effort exerted in advising me since the inception of title selection until the final date of submission. He has enabled me to exert my utmost potential to accomplish the thesis.

Furthermore, Iwould alsolike toacknowledge the crucial role of the staffs of OIB in Addis Ababa head office who conferred the permission to use all required and allowable information and the necessary material to complete the task.

Last but not least, my thanks and appreciation goes to my family and friends who provided me a lot of finical and moral supportduring the accomplishment of my thesis work.

CONTENTS

ACRONYMS AND ABBREVATIONS

CBE	Commercial Bank of Ethiopia
CDD	Customer Due Diligence
CM	Credit Management
CRM	Credit Relationship Manger
KYC	Know Your Customer
NBE	National Bank of Ethiopia
NPL	Non Performing Loan
NPLGL	Non Performing Loans to Gross Loan
SPPS	Statistical Packages for Social Sciences Version 20
OIB	Oromia International Bank

ABSTRACT

This study is conducted aiming at investigating the credit management practices of OIB. It has assessed the overall operational issues in credit management processes maintained at OIB. An effective Credit management practice relies upon the Banks credit policy, credit portfolio, monitoring, supervision and follows up of loans and advances.Both primary and secondary data was employed for thus study;primary data wascollected usingquestionnaire and interview which was conducted with the managers andsupervisory staffsof credit department. Based on nature of study the secondary data wasgathered from yearly reports of the Bank 2016 to 2019,arrangement and technique dependent onpolicy and procedure.The research design was descriptive. Data analysis was undertaken usingExcel Spreadsheet and SPSS version20. The study has focused on major components of credit management. These include the application of the Bank's credit policy and procedure, credit management and loan default, credit risk management, monitoring and control of credit, credit creation, collection and follow up. Finnnaly, ascan be concluded from the result of the study,OIB has a flexible credit management practice which is convenient for its loan customers. The study also depicted thatthe credit management practice of the Bank complies with its internal credit policy and procedure manual, regulatory directives of NBE as well as other applicable laws and regulations of the country. The study has also uncovered that there is no adequate internalcontrol activity maintained over the credit management practice of the Bank. This has a room to lead the Bank to credit, legal and reputational risk. Aspart offinancial statement assessment,the study has also noted that the statement providespoor loan credit management and weak credit risk mitigation. Among the Bank's loan classification such as Pas, special mention, substandard, doubtful and loss categories, significant amount of loan and advances were found under NPLstatus (the last there loan classes). There was a total of above 3% un-performing loan which shows a loan default portion surpassing the Bank's allowable for uncollectible loans and advances. And hence the studyrecommends thatestablishment of adequate, strengthened and effective internal control system is a coreactivity the Bank has to establish in order to mitigate the unforeseen risks of the Bank. The Bank shouldalso strictly pledge an effective follow up and monitoring system over loans and advances after their disbursement (after sales service) to reduce the amount of defaultingloans.

Key Words

Credit, Practice, Bank, Management, Non-Performing Loan, NPL, Substandard, Special Mention, Pass, Doubtful, Loss, Default, Credit Risk

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Banks play a vital role in the economies of several countries. They act as the primary link between those with excess funds (depositors) and those with viable ventures but insufficient funds to finance their investment (creditors). Banks have in any event the accompanying capacities: lending money, safeguarding individual's deposit, transferring money locally or globally and working as paying agent. In their activity Banks face various risks, the sorts and level of risk to which Banks are uncovered relies on various factors like its size, complexity of the business exercises, s, volume(Werner, R. A., 2016).

Effective management of the loan and the credit function is fundamental to a Bank's safety and soundness. Loan portfolio management (LPM) is the process by which risks that are inherent in the credit process are managed and controlled. Because assessing and reviewing of the credit process is so important and it is a primary managerial activity (Essendi, L. K. (2013).

According to Essendi (2013), credit management success is determined by the bank's credit policy, credit portfolio, monitoring, supervision, and loan and advance follow-up. According to Basel Committee on Banking Supervision (1999) credit can be defined as a transaction in which one party (the creditor or lender) provides money or monetary equivalent goods and services to the other.

Efficient credit management practices, according to Mekonnen, S. (2018), allow banks to choose the right type of loan proposals/projects/ventures/enterprises and the right type of borrower. Assuring proper protection is one of the most critical aspects of the loan approval process. However, protection isn't the only thing to think about. The responsibility of bank professionals to analyze is still one of the major issues. Credit lending principles such as the borrower's liquidity and integrity enable credit lenders to assess whether the client would be able to repay the Bank loan profitably according to the negotiated terms and conditions and repayment schedule. It is important to control credit in order to strengthen borrowers' financial literacy and lenders' transactional processes in order to prevent potential financial crises.

Loans are the most important items that banks sell to their clients, and lending accounts for the bulk of the bank's annual revenue. It is also true that bank loans, as lucrative as they are, are also risky. Bank loans, for example, fluctuate and are affected by changes in economic policy and the economy in general. As a result, it is crucial that banks develop their loan policies in such a way that the risk associated with them is reduced. Furthermore, banks benefit greatly from a sound and comprehensive credit procedure and loan policy. It enables officials to treat loan problems consistently, prevent misunderstandings, and make the credit process easier to manage. Sound policy leads to transparency in lending activities(Jiménez, G., Ongena, S., Peydró, J. L., &Saurina, J., 2012).

As a result, the aim of this study is to evaluate Oromia International Bank S.C., one of Ethiopia's most reputable private commercial banks, on its credit management practices.

1.2 Background of Oromia International Bank S.C

Oromia International Bank S.C (OIB) was established on September 18, 2008 by securing its license from the National Bank of Ethiopia in accordance with the regulation and the 1960 Commercial Code of Ethiopia and the Monetary and Banking Proclamation 83/1984 and currently operating under the Licensing and Supervision of Banking proclamation no. 592/2008 (www.orointBank.com).The first founding members were 21 businessmen and professionals that agreed to combine their financial resources and expertise to form this new private.Oromia International Bank posted a profit before taxes of 3.2 billion dollars and a profit per share of 374 dollars at the end of June 2019.The total number of branches of the Bank reached 265 showing a rise of 10.7% relative to the previous year (OromiaInternational Bank Annual report, 2019).

As per FY 2019 annual report outstanding loans and advances plus IFB financing in Bankwent up to Birr 17.4 billion as at 30 June 2019, which represents a 50% increase over the previous year. The distribution of loans and advances plus IFB financing in Bank covered all major economic sectors. Domestic trade and service ranked in the lead with a 30.6 % share while the manufacturing sector stood second with a 19.6% share from the aggregate balance. Foreign trade, Real State, Hotel and Tourism 5.6 %, Construction Machineries Rental and Mortgage also and others comprised 30.4%, 19.6 %, 5.6 %, 12.1 %, and 5.6 % of the outstanding loans and advancesplus IFB financing balance, respectively(www.orointBank.com).

1.3 Statement of the Problem

Apart fromthe effective management of debtors, the process of credit management is chiefly concerned with sensible financing of receivables. The goal of credit management is therefore expressively stated as safeguarding the portfolio of the Banks' investments in debtors while maximizing shareholders' wealth. Procedures, policies and practices shall be enforced for granting credit facilities to customers, collection of repayments that are due and mitigating the high risk factor of non-performing loans(Chick, D., 2018).

Immergluck, D. (2016), assessed credit management practices on United BankS.C and found that, Lack of credit follow-up by branches, a lack of information system to support the Bank's credit risk grading system, branches' disregard for the Bank's credit policy and procedure when exercising their discretionary lending limit, borrower full default, borrower lack of awareness on loan use, fund diversion for unintended purposes, and the Bank's centralized decision-making power.

Mekonnen, A. (2019), also assessed the credit management practice of the Commercial Bank of Ethiopia based on three basic dimensions namely adequacy of credit policy content, compliance of the actual credit activities of the Bank against the formulated policy and the overall existing credit control practice of the Bank and found that CBE has adequate credit policy with a good content as per the examining statements provided. Similarly credit activities of the Bank are complied with the stipulated credit policy document more than the average level. On the other hand, the overall credit control activities of the Bank are performing in an average level.

Commercial Banks should be strong and determining to protect themselves from loss arising from their credit activities. Maintain sound credit management practice by making timely evaluation and frequentexamination of their level of credit management is one basic way of Banks to keep their entire loan healthy and well performing (Taiwo, J. N., Ucheaga, E. G., Achugamonu, B. U., Adetiloye, K., Okoye, O., &Agwu, P. E. (2017).

Pasha, S. A., &Mintesinot, B. (2017), have also conducted a study on WegagenBank S.C. focusing specifically on credit management performance of nine branches in Tigray region and concluded that there was poor credit management performance.The above studies have managed to come up with major findings that are impeding loan quality as a whole to absence of adequate controlling and monitoring, inadequate appraisal & approval, poor collection culture, absence of effective risk mitigation strategy as few outcomes among the many factors raised as a challenge.

Despite the fact that various studies have been conducted in the field of credit management practices, the majority of the studies have primarily concentrated on the topic of bank policy and procedure enforcement. Furthermore, the studies have concentrated on the bank's loan default rate, or NPL amount.

Since previous studies have not discussed credit management practice in OIB with respect to accepting applications, loan assessment, loan approval, tracking, and recovery of non-performing loans, this research has concentrated on investigating the credit management practice of OIB (with researcher's special motivation) to describe what major credit management practices are adopted there and in a prospect to reach on empirical findings of the persisting problemsas well as recommend possible remedial alleviations. As a result, the current research looked into OIB's credit management practices, taking into account the lack of similar studies on similar topics in the bank as a literature deficit, and came up with new empirical findings.

1.4 Basic Research Questions

This study has answered the following questions.

- ✓ What is the contribution of OIB's compliance to its policies and that of the NBE in managing the credit?
- ✓ What are theBank specific factors that are influencingthe credit management practice and triggering loan default in OIB?
- ✓ How was the credit procedure of the Bank helpingin reducing the NPL status loans in the past?
- ✓ What are the credit collections strategies practicedin Oromia International Bank S.C.?
- ✓ What are the key credit risk mitigation strategies used by the bank?

1.5 Objective of the Study

1.5.1General Objective

The general objective of this study was to assess the credit management practice of Oromia International Bank S.C.

1.5.2 Specific objectives

The specific objectives of the study were to:

- ✓ To examinethe contribution of OIB's compliance to its policies and that of the NBE in managing the credit.
- ✓ To evaluate the Bank specific factors that are influencing the credit management practice and triggering loan default in OIB.
- ✓ To assess whether the Bank's credit procedure is helping in reducing the NPL status loans in the past.
- ✓ To analyze the credit collections strategies being practiced in Oromia International Bank S.C
- ✓ To examine the key credit risk mitigation strategies used by the bank.

1.6 Significance of the Study

The study has a significant contribution to the body of knowledge in the field of effective credit management. The study tries to reveal the major factors that affect credit management practice. This helps the Branch by indicating the areas wherethere are problems associated with non-performing loans. Additionally, it serves as a preface for those other researchers who are interested to conduct their studies in the topic area. The study findings also assistby making the needed information available forsound and informed decision makings. It also contributes the following important points:
It helps the officers and analysts to understand what is required of them as professionals in handling loans and advance delivery, which is a critical part of the Bank's operations. Provide a planning for the organization's preparation and using efficient and effective loan and advance programs. Allowing the concerned government body to view the Bank's loan and advance, as well as the legal consequences, may be beneficialas a reference point for researchers who want to learn more about the topic.

1.7 Scope of the Study

The geographical scope of the study is delimited to Oromia International Bank S.C, North-west Finfinnee District office.The contents of the study are also delimited to Credit policy and procedure, Credit management and loan default, Credit risk management, Credit monitoring and control, Credit creation and procedure, Credit follow up and collection.

Had it been conducted covering the Bank's overall credit management practice as a whole, its outcome would have contributed significant value to the aforesaid stakeholders. However, due to the pandemic (COVID-19) prevalence, the researcherwas forced to discuss on any of difficulties with colleaguesand consult research advisor less frequently and/or basically via online or telephone conversation. Due to the high sensitivity of the market, the study also relied on the permission of OIB authorities to access the Bank's data, resulting in a smaller scope than expected. There are two reasons for the study to be primarily focused on evaluating OIB's credit management practices. The first explanation is that previous researches on the subject have not looked into it. The second explanation is that the researcher is employee of the Bank who is willing to discover what the true credit phenomenon seems in the Bank, forward remedial tips, and work as part of a team to develop competitive advantages for the Bank.

1.8 Limitation of the Study

Since the student researcher is new for such research undertakings and has developed no prior experience in conducting such things; she was highly challenged in incorporating the proper research methodologies. Best problem fit tools may not also be employed due to the above limitation. And consequently, since the researcher could not be able to find complete solution for the factors enumerated so far, she has acknowledged as the most limiting factors of the study. However, thanks to my research advisor, notwithstanding with the limitations of the study, the student researcher has made her maximum effort to design the research as properly as possible and hope achieved the specified objectives by going deep, devoting passion and providing all the required details, as deemed required facing the above mentioned challenges.

1.9 Organization of the Study

The study is organized into five chapters, one of which is the present one. Chapter one introduces the background of the study, giving an overview idea on the notion of credit management and spells out the statement of the problem, objectives, significance of the study, scope, and limitations of the study. Chapter two consists of theoretical (conceptual) and empirical review of the related literatures. The methodology part together with research design, data collecting tools, research procedures and data analysis technique is presented in Chapter three. Chapter four presents the results of analysis done and discussions on the findings. Chapter five finally presented drawn conclusions from the empirical findings and suggests recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

The aim of this chapter is to explain and document what has been written and collected about bank credit management and practices in different manuals, literatures, and writers. The researcher has compiled the documents, concepts, and definitions on 'Credit Management and Practice' from a selection of manuals and writers for this report. In short it summarizes the conceptual framework for this study.

2.2. Theoretical Literature

2.2.1 Definition and Function of Credit

Credit comes from the Latin word creditum, which means "to believe" or "to trust." Credit is a promise by one party to pay another for money borrowed or goods or services received in economics. It's a form of payment that allows you to collect money or products on demand at a future date (Belayneh, T., & Degu, Y., 2014).

Another definition of credit is that it has originated from the Latin word 'Credo' which means 'I believe'. Credit is a matter of faith in the person and no less than in the security offered. Credit is purchasing power not derived from income, but by financial institutions either as an offset to idle incomes held by depositors in the Banks, or as a net addition to the total amount of purchasing power. In reality, no economy can function without credit; today, credit instruments are used to settle all economic transactions. It is the lifeblood of today's commercial and business systems (AtlAbAchew, S., GideY, Y., &Legesse, M., 2014).

The principal function of credit is to transfer property from those who own it to those who wish to use it, as in the granting of loans by Banks to individuals and corporate bodies who plan to initiate or expand their business ventures. The transfer is temporary and is made for price, known as interest, which varies with the risk involved and also with the demand for, and supply of, credit, (Birchall, J., &Ketilson, L. H., 2009).

2.2.2 Credit Process

According to Turkanović, M., Hölbl, M., Košič, K., Heričko, M., &Kamišalić, A. (2018),the credit process includes three functions: business development and credit analysis, credit execution and administration, and credit review.

A. Business Development and Credit Analysis

The process of marketing Bank services to existing and potential customers is known as business development. Identifying potential credit customers and soliciting their banking business, as well as maintaining relationships with current customers and cross-selling non-credit services, are all part of lending. Every Bank employee, from tellers who work at drive-up facilities to members of the board of directors, is held to a high standardeach employee interacts with potential customers on a daily basis and has the opportunity to offer Bank services. Many banks use cash incentives or other compensation programs to reward employees who successfully cross-sell services or introduce new customers into the bank to inspire marketing efforts (Pearson, S., 2016).

B. Credit Execution and Administration

Depending on a Bank's organizational structure, structured credit decisions may be taken individually or by committee. This structure varies depending on the size of the bank, the number of employees, and the types of loans it manages. The Board of Directors of a bank usually makes the final decision about which loans are accepted. Typically, each lending officer has the authority to accept loans up to a certain dollar fixed dollar amount (Treacy, W. F., & Carey, M., 2000).

C. Credit Review

The loan review effort is aimed at lowering credit risk, as well as dealing with problem loans and liquidating failed borrowers' assets. Loan evaluation, collateral analysis, execution, and administration are all separated by effective credit management. The review process is divided into two parts: monitoring current loans' performance and coping with handling loans. Many banks have a structured loan review committee that is separate from the loan officers and reports directly to the chief executive officer and the loan committee of the board of directors.Loan review personnel review the existing loan to ensure that the borrower's financial situation is appropriate, that all loan documentation is in order, and that the pricing meets return objectives (Apanga, M. A. N., Appiah, K. O., & Arthur, J., 2016).

2.2.3 Definitions of Credit Management

There are many definitions given for credit management (CM) by different scholars. Among them, some are provided as follows: According to Chane, A. (2016),Credit management in a bank is a dynamic sector that needs a high degree of long-term planning to allocate the fund in diverse field while mitigating risk and optimizing return on investment. Credit management's mission is to optimize the performing asset while minimizing the non-performing asset, as well as to ensure the optimum loan and advance point and efficient management. Credit management entails implementing and retaining a series of policies and procedures to reduce the amount of capital held in debtors and the company's exposure to bad debts. Credit management is an effective tool for keeping a business financially stable and profitable when it is properly implemented.

Controlling and collecting payments from clients is also part of credit management. This is the function of a bank or company that manages credit policies in order to increase profitability and lower financial risks. Wise Geek (2014) describe Credit management is described as the process of building an investment portfolio based on credit relationships while also managing the risks associated with these investments. As a result, credit management involves assessing the risk associated with each loan, as well as analyzing the total amount of risks associated with all loans. The major objective of credit management is to reduce the amount of loans default. Banks reduce the loan portfolio default risk by considering the credits repayment history of both individuals and groups applying for loans (Chane, A., 2016).

Trevino, L. K., & Nelson, K. A. (2021) describe credit management as methods and techniques used by a firm to ensure that they maintain an optimal level of credit and its effective management. (T.R, 1997)Nelson (2002) also views credit management is defined as the process by which a entity manages its credit extension. It is a requirement for any entity that deals with credit transactions because there is no such thing as zero credit or default risk.

2.2.4 Process of Credit Management

The process of credit management with an accurate assessment of the customer base, creditworthiness and business viability. This is especially relevant if the company decides to offer those customers a credit line or revolving credit. As a result, proper credit management setting defining strict requirements that a customer must meet before receiving the proposed credit. ArrangementCredit management also involves assessing the total credit line that will be extended to a particular customer as part of the evaluation process. A variety of factors are considered as part of the credit management process when evaluating and qualifying a customer for commercial credit. This includes gathering information on the potential customer's current financial situation, including current credit record, which shows a customer's character in terms of meeting obligations, as well as collateral value As a result, the writer discusses the various procedures that can be used in each of these areas with the sole purpose of examining the present loan management procedure of financial institutions, especially banks. The cause is a faulty credit risk management scheme for many none performing loans (Hagos, M., 2010).

The actual income-to-outstanding-financial-obligations ratio will also be taken into consideration. Competent credit management aims to protect not only the Bank or any other financial institution involved from possible losses, but also the customer from incurring additional debt commitments that cannot be paid on time. When the process of credit management functions efficiently, everyone involved benefits from the effort. Banks and other financial institutions have a fair amount of assurance that loans given to clients will be repaid on timeorthose regular minimum payments will be received on credit account balances (Jo, H., Kim, H., & Park, K., 2015).

Generally, the three basic steps of credit management are credit review, credit approval, and follow-up. The first two processes are pre-disbursement, while the third is post-disbarment. Simply put, in the context of the above category, bank credit management entails the following: -

- ✓ Credit application
- ✓ Credit assessment
- ✓ Credit disbursement
- ✓ Credit monitoring
- ✓ Credit recovery

Credit Application

In the credit management process, the credit application is the first stage. A loan application is required regardless of the loan's size or purpose. Applicants should understand the value of the document. The applicant's information is detailed in the application documents. The information among other things include: name of the applicant, address, residential address, age, telephone number, marital status, number of dependents, educational background, hometown, the type of business, business location ,number of years in business, reasons for the loan, amount required, the repayment period, security pledge if any and guarantors. Financial institutions may take some legal action against a borrower who defaults based on the content of this text. Since this is the first step in the credit management process, any mistakes made here can have a significant negative impact on the rest of the process.If the content of the loan application form is not adequately formulated, a loan defaulter will be able to avoid legal punishment. As a result, current loan application forms should be evaluated to ensure that they are properly structured to protect the credit unions (Abdou, H. A., &Pointon, J., 2011).

Credit Assessment

This is the process of collecting information about a potential borrower and projects in order to perform a risk assessment exercise and determine the risk. Before providing any loans, this is carefully done by the financial institutions. This is also done to determine the viability of the planned project. It also assists in assessing the technical viability, economic viability, and financial viability of the proposed project. By following the steps outlined above, the loan's risk can be minimized. The risk of default as a result of a borrower's inability to repay a financial institution's loan is known as credit risk. (Asenova, D., & Beck, M., 2003).

Jahin, S. Y. (2018) discussed An appropriate estimation of a customer's financial position decides the customer's financial situation and also aids in determining the customer's ability to repay the loan when it is due. This entails the authentication of the customer's primary and collateral security, which will be used if the loan repayment becomes difficult. his is a crucial step in the credit application process.. It is said to be the heartbeat of a healthy credit portfolio. This includes collecting, analyzing and processing information as provided by the applicant on the credit application form. This aids in the assessment of applicants' creditworthiness and the reduction of conflicts between borrowers as agents and financial institutions as principals.The lending institutions loans management processes procedures and directives controls the loan The loan assessment processes are regulated by the lending institution's loan management processes, procedures, and directives. The first question to answer is whether the borrowers have the financial means to repay the loan, that is, to repay the credit when it is due with the appropriate interest rate. The factors underlying a borrower's evaluation should be based on the financial institution's credit assessment principles, which are the fundamental principles of lending that are also used by the financial institution, and are also known as the 5 C's. Which is Character, Capacity, Capital, Collateral and Conditions (Mutuota, L. W., 2013). In another context, Kamau, S. I. (2015) referred to mnemonics used as common checklist to review loan application as: CCCPPARTS (Character, Capital, Capability, Purpose, Person, Amount, Repayment, Terms and Security); PARSER (Person, Amount, Repayment, Security, Expediency, Remuneration); CAMPARI (Character, Ability, Margin, Purpose, Amount, Repayment, Insurance/Security).

The disparity in the mnemonics relates due to the underlying concept of assessing the potential of having credit repaid. Credit Appraisal thus ascertains the risks associated with lending functions in financial institutions. This indicates that if the credit union fails to conduct a fair credit assessment, the risk associated with the credit will not be detected. It is usually carried out by trained staff of financial institutions that provide credit to their customers. In the present case, process used in credit risk assessment and appraisal has been studied to identify the various parameters and stages in credit assessment; appraisal and disbursement processes exist in the financial institution. Its goal is to ensure that lenders take steps that make repayment easier or reduce repayment likely problems. This knowledge about the borrower's riskiness encourages the financial institution to take corrective measures, such as requiring collateral, a shorter maturity period, higher interest rates, and other forms of payment (Duga, H. (2021).

When a financial institution does not do it well, its performance is highly affected. DeYoung, R., Gron, A., Torna, G., & Winton, A. (2015) stressed the importance of credit analysis when he observed that its abandonment often resulted into several Banks using credit card to process. The variables we have, according to Hunte (1996) added the time it takes to process loan applications, credit experience, and a part of collateral protection for a loan that has been approved It was established that the long wait period represented a lack of reliable credit information needed to make informed credit decisions, as well as the availability of funds for further lending. This in turn leads to a bigger risk, more extreme credit rationing and low repayment rates.

Beck, T., Behr, P., &Guettler, A. (2013) Customers with loan expertise have show a higher ability to handle their loans, resulting in higher-quality customers for the financial institution. A less experienced borrower has a lower capacity to manage a business loan and is therefore not credit worthy (Devaney, 1984; Robinson, 1962; Hunte, 1996This indicates that first-time borrowers face major risks because the loan officer knows little about their credit record and no awareness about their able to repay the loan on time. Therefore, financial institution should attach all the seriousness to the credit assessment process in order to reduce the credit risk associated with credit since loans are the largest assets of financial institution like Banks. Financial institutions, such as banks, have a hierarchical structure in place to authorize loans, with branches having a discretionary lending limit depending on their grades. Discretionary lending limit is a limit set for each branch depending on their grade that allows them to disburse loans in various sectors.

Credit Disbursement

After an applicant has been carefully assessed and it has been established that the applicant meets the credit union's credit requirements. The credit officer and the credit committee sign the loan application form to indicate that they have given their approval. This authorizes the Bank to disburse funds to the applicant. The act of giving or paying money to customers who have been accessed and approved for credit is known as credit disbursement. After all of the assessments have been completed and approval has been granted, disbursement ensures that money is made available to the custome(Duga, H., 2021).

Until funds are distributed to the qualified customer, the assessment process ensures that the security and other required documentations are authenticated. If the loan pay-out control is weak, the loan management process's effectiveness will suffer, and it will be undermined and misused by the unscrupulous staff of the organization. Until funds are distributed to the qualified customer, the assessment process ensures that the security and other required documentations are authenticated. If the loan pay-out control is weak, the loan management process's effectiveness will suffer, and it will be undermined and misused by the unscrupulous staff of the organization (Duga, H., 2021).

This are important in the customers refuse to pay because the financial institution will be adequately secured and will have legal backing to insure that the loan will be retrieved..This will help financial institutions strengthen their financial condition by lowering their allowance for bad debts. Once the credit application satisfies all of the Bank's credit conditions, a thorough a comprehensive analysis is done to determine if the application complies with the institution's conditions, then approval is given for disbursement to the applicant. Financial institution hasdistinct method of disbursing loans to its members which is different from how other financial institutions do. The credit disbursement can be crediting the loan amount to the customer's account all at once or it is done phase by phase for project type loans (Hassan, K., 2002).

Credit Monitoring

According to Krznar, M. I., &Morsink, M. J. (2014), Credit Monitoring essential aspect of the lending processfinancial institutions bear a significant amount of responsibility for maintaining asset quality and timely recovery of interest and principal. Though adequate precautions are taken during assessment and approval of a loan, a financial institution has to be more vigilant. Unless early warning signals are captured, A financial institution may not be able to take proper remedial measures to arrest and reduce bad debt in the institution unless early warning signs are caught, and a financial institution may not be able to take proper remedial measures to arrest and reduce bad debt in the institution unless early warning signs are captured. A financial institution must set up a reliable and effective credit monitoring system to keep control of a borrower's account from various angles for prompt action.

The client's general business policy and advice on how to get things in order. A financial institution's lending policies and loan monitoring procedures may be modified. Furthermore, keeping track of deposit trends and balances gives insight into the customer's present situation. Monitoring of loan facilities given to customers is an important task in ensuring that the project from which repayment will be made is successful. Odonkor, A. A. (2018) revealed that efficient monitoring leads to high retrieval of loans by revealing likely dangers (like loan diversions) and reminding defaulters of their responsibilities to the lending institution, thereby necessitating a redoubled effort in the direction of loan repayments. The monitoring of credit facilities has generally concentrated on ensuring repayment when there are signs of interest and principal instalment defaults.

Credit Recovery /work out process/

It is an undeniable fact that any lending company will experience customers who will default on payments or failure to accept at all. This is why financial institutions make provision in their books for poor and uncertain debt to cover these eventualities. If the lender has made every effort to negotiate an amicable repayment agreement and has been unwilling, it would be appropriate to consider the loan as a recovery matter. This is especially apparent in financial institutions, particularly where the institutions provide services that are ongoing rather than one-time.the collection of a loan amount sum from a customer in default is known as loan recovery. In simple terms, loan recovery refers to the pay back of the principal loan amount sum plus interest. Financial institutions need to be aware of loans that are at risk of not being paid back (also known as NPL or non-performing loan).Collections department of the Bank will begin contacting the individual loan defaulter's risk of non-repayment to an acceptable level. In general, credit evaluations are based on the loan officer's subjective assessment or judgmental assessment technique. Credit analysis is essentially default risk analysis. A loan officer attempts to evaluate a borrower's ability and willingness to repay(Odonkor, A. A., 2018).

2.2.5 Credit Analysis and Appraisal

Golin, J., &Delhaise, P. (2013) credit analysis is described as the assessment of a borrower's ability to properly service a loan. It is done to ensure that loans are only made to borrowers who are capable of repaying them on time. The type and scope of analysis required is largely determined by the type and size of loan, but the overall aim is to position good loans so that all parties benefit and achieve their goals. Credit analysis is the most common tool for lowering a loan request's credit risk on a loan request. Credit analysis is also the primary step in the credit management process.

A Bank's credit analysts often use the five C's of credit to focus their analysis on the key dimensions of an applicant's creditworthiness.Disemadi, H. S. (2019) identified five C's of credit. They include; Character, Capacity, Capital, Condition and Collateral.

Character

It is the degree to which the borrower's ability to repay the loan, according to Gatimu, E. M. (2014). The debt repayment potential is worthless unless the borrower is able to repay the loan. Character refers to the borrower's appearance in terms of achieving a well-defined goal and having a responsible attitude toward using the borrowed funds.Responsibility, truthfulness, serious purpose, and intention to repay are important elements in evaluating character.

Capacity

It represents the debt repayment capacity of the borrower. Earning can be taken as a good indicator of loan repayment capacity. For instance, for a poor farmer, the capacity can be determined by looking the possible discretionary income he/she can have. That is income left after meeting essential requirements like food, and clothing. The average family size should be considered since it has a huge effect on discretionary income. Since the total income, which seems to be constant, is shared by a large number as the family size grows, a family with three members can have more discretionary income than a family with six members. Another factor that can dictate the capacity of the borrower is the indebtedness of the borrower so far (Pulley, R. V., 1989).

Capital

The success of the business is determined by the motive attached to ownership interest. Banks must ensure that the owners in the venture bear proportionate risk; hence, the level of capital must be evaluated to ensure that the risk is borne by the party with ownership interest. In this context, considerations such as the customer's net worth, home equity, and other assets should be considered (Bodenhorn, H. (2002).

Condition

According to Bodenhorn, H. (2002), borrowers are influenced by their surroundings. Climate change (lack of rain, for example) is one factor that has an effect on the agricultural sector. Drought, hail, and erratic rainfall have a major effect on farmers. The ability of farmers to repay their debts is directly linked to such risk in terms of successful crops, selling stocks etc Furthermore, the market for the product is another factor that influences farmers' ability to repay their loans. For instance, if the productivity in other areas of the country is good, then the price for agricultural product will decline which adversely affect the cash flow of the farmer. Before the loan is granted, all conditions that will affect the borrower in the future should be assessed. Failure to recognize such things may lead in bankruptcy, particularly if the loan portfolio is concentrated in a certain regions.

Collateral

Collateral is the security held to back up the loan in the event of possible default. It can be anything of value, which is readily saleable.According to Golden and Walker (1993), there are five Cs of bad debt; which represent things to guard against in order to help prevent problems. They include: Complacency, Carelessness, Communication breakdown, Contingency, and Competition.

There are five Cs of bad debt, according to Golden and Walker (1993), which reflect items to watch out for in order to avoid problems. Complacency, carelessness, a breakdown in communication, contingency, and competition are just a few of them.

Loan problems often arise when a Bank's credit objectives and policies are not clearly communicated. This is communication breakdown. Management should articulate and enforce loan policies, and loan officers should make management aware of specific problems with the existing loans as soon as they appear.A contingency refers to lenders' tendency to play down or ignore circumstances in which a loan might in default. It involves following competitors' behaviour rather than maintaining the Bank's own Competition credit standards. During credit analysis Bankuses various lending tool and techniques (Alemarga, E., Tekalign, H., &Abera, N., 2014).

Credit/Concentration/ limit: - One of the instruments that financial institutions use to manage their loan portfolio is credit limits. Setting credit limits is one of the most common methods used by financial institutions to manage their credit processes and reduce lending risks. Moges, M. (2016) shows the significance of employing the credit limit process so as to avoid any credit risk which could imperil the financial position of the institution. In Ethiopia private Bank work according to the concentration limit set by national Bank of Ethiopia.

Affordability: -Lenders must reconsider their affordability measures ahead of changes due to increased regulatory focus and increasing interest rates. All lending institutions that want to safely grow credit while reducing risk should carefully assess customers' affordability and suitability. As lending institutions trying to balance growth with risk, some customers are faced with insufficient disposable incomes; the current economic situation has made it necessary for lending institutions to employ a better credit process. Failure to implement a proper credit management process could put pressure on customers and lenders at a time when the economic climate not improving. Affordability is a assessment of a customer's capacity to afford for new and outstanding loans now and in the future. Lin, C., Ma, Y., Malatesta, P., & Xuan, Y. (2011) indicates that when assessing the affordability of a borrower it is their lack of cash flow and not assets that causes loan default in institutions.

Risk assessment model: - Internal rating software created to aid a bank or financial institution in assessing a borrower for credit is known as the Risk Assessment Model. This is in accordance with the Basel II Accord's internal rating-based processes requirement.

Credit scoring/credit risk grading: - This is a mathematical system used to foretell the possibility that a loan will be in arrears, become delinquent or a borrower will default in repayment (Loretta 1997). This method is largely accepted as the primary system of examining the creditworthiness of customers.

Arrears intervention: - Arrears is a legal term used by lending institutions to describe the portion of a loan that has not been paid, is overdue, or it has been missed as per the agreed-upon loan terms.FinlaySeudib, E. N., Dassah, F. T., &Adjei, S. K (2008) indicates that pressure should be put on loan defaulters at the early stages of the default; this action reminds the defaulters about their obligations towards the institution. In line with Finlay'sassertion,Swanton, T. B., Gainsbury, S. M., &Blaszczynski, A. (2019) urges financial institutions to integrate adequate communication process when retrieving debt in arrears from customers.

2.2.6 Credit Risk Management Process

A credit risk management process is a set of activities that are managed to control credit risk. From credit granting to credit collection, these activities will be covered. Risk identification, measurement, assessment, control, and monitoring are the steps involved. The first step in the credit process is to define the risk involved, and then risk is evaluated by measuring the consequences if it is not well managed. After the evaluation phase, the risk is the then assessed to know the impact, the likelihood of occurrence, and possibility for it to be controlled (Lagat, F. K., Mugo, R., &Otuya, R., 2013).

The control and monitoring phase then come in. these phases are not distinct like the other three. Measures that can be used to avoid, reduce, prevent, or eliminate the risk in the control process. The monitoring phase is used to perform a continuous check to ensure that all risk management procedures or practices are properly implemented in order to achieve the desired results, and that any distortions are corrected. All this is done because credit risk is a very important and delicate risk that Banks face and needs to be managed with great care/ precaution because its consequences are always very detrimental to the Bank. Despite the changes in the financial service sector, credit risk remains the major single cause of Bank failure. The credit risk management mechanism should represent the entire credit cycle, beginning with the credit's origination in a financial institution's books and ending with its extinguishment.(Chilukuri, S., & Rao, K. S., 2014).

The possibility of loan loss as a result of a borrower's inability to make payments according to the loan agreement is referred to as credit risk. Credit risk management, on the other hand, is the practice of reducing the impact of those losses by assessing the competence of a bank's capital and loan loss reserves at any given time, a method that has long been a challenge for financial institutions to fully implement. The worldwide financial predicament and the credit crunch that followed makes credit risk management very relevant (Nyasaka, F. O., 2017).

2.2.7 Credit Information

This help lenders assess or analyse credit-worthiness, the ability to repay a loan and have an effect on the interest rate and other loan terms. According to Mirshekary, S., &Saudagaran, S. M. (2005) A customer's credit information can be obtained from various of sources, including the following: Firstsource;- is Financial statements is a A bank may request financial statements from a borrower, such as a balance sheet and income statement, which will be used to determine if credit will be extended or refused. Secondly; -Some organizations' credit reports on the customer's payment history- Several organizations sell information on a company's credit strength and credit history. ThirdBank; -will usually assist their business customers in collecting information on the creditworthiness of other businesses.Then there's the customer's payment history with the bank the likelihood of the customer paying is determined by looking at whether they've settled past obligations and how quick they have met these obligations (Mizen, P., 2008).

Credit knowledge is another method used by banks in credit analysis, as discussed by Golin, J., and Delhaise, P. (2013). Appropriate and timely data that allows a satisfactory evaluation of the creditworthiness of borrowers applying for a Bank loan is crucial for prudent lending decisions.One of the most important factors in ensuring a bank's financial soundness is prudent lending decisions based on adequate information on borrowers' creditworthiness. However, in Ethiopia, it has been extremely difficult to obtain accurate and timely information on prospective borrowers, which would make prudent lending decisions to be made. One of the means for alleviating this difficulty of getting accurate and timely information on prospective borrowers is the establishment of a Credit Information Centre (CIC) where relevant information on borrowers is assumed to be pooled and made available to lending Banks. Binging this to our country context according to article 36 of the Licensing and Supervision of Banking Business Proclamation No. 84/1994, the National Bank Ethiopia (NBE) has issued these directives to establish such a Credit

Information Center (CIC). Though there is still serious limitations in the accuracy of the credit information extracted the summary of the directive is as follows:

To provide, change, and update credit information for each of their borrowers, banks can use an online system. Within three business days of receipt a written request, the NBE's Supervision Department shall provide to requesting Banks all credit information available in the Central Database on a prospective borrower; next, upon written request by Banks, the NBE's Supervision Department shall provide to requesting Banks all credit information available in the Central Database on a prospective borrower; next, upon written request by Banks, the NBE's Supervision Department shall provide to requesting Banks all credit information available in the Central Database on shall provide to the requesting Bank, in writing, all credit information available in the Central Database on a prospective borrower within three working days of receipt of the request; next Access to the Central Database shall be restricted to the user group; in addition. The role of the NBE shall be restricted to administering the Credit Information Sharing system, providing in writing credit information on borrowers available at Credit Information Centre to Banks, ensuring that access to online system to update or alter credit information is given only to authorized persons and ensuring that the system is operating smoothly and reliably; then. The NBE shall not be responsible for any damages, claims or liabilities that may arise as a result of inaccurate, misleading or incomplete credit information on borrowers supplied to the Credit Information Centre by individual Banks and shared, through the NBE, with other Banks.AlsoEachBank shall provide, electronically, the initial credit and other related information to the Credit Information Centre on each and every one of its borrower;Each Bank is fully responsible for providing the Credit Information Centre with correct, full, and timely credit information. In the case that an error is made, the Bank responsible for the error should correct it as quickly as possible.; Each Bank is fully responsible for any losses, claims, or liabilities that may arise as a result of providing inaccurate, misleading or incomplete credit information to the Credit Information Centre or failure to provide, inadvertently or otherwise, information to the Centre that should have been provided in line with these directives. Each Bank shall use the credit information on borrowers obtained from the Central Database of the Credit Information Centre only and only for making a lending decision. Such information shall be treated with utmost confidentiality and shall not be disclosed to any third party or used for any other purpose; Each Bank shall be fully responsible for any damages, claims or liabilities that may arise as a result of disclosure of credit information on borrowers obtained from the Credit Information Centre to third parties or use of that information for purposes other than for making a lending decision (Dragomir, L., 2010).

2.2.8 Credit Collection Techniques

In any economic climate, effective credit collection techniques one of the necessities for financial institutions. Knowing how to get customers to pay their unpaid loans to financial institutions such as banks on time can help banks maximize their cash flow. Therefore, a number of collection techniques are employed. Under normal circumstances loan clients are expected to pay in cash or deposit or keep their instalment repayment as per the agreement made. As the loan account becomes past due or overdue the collection effort becomes more personal and stricter. The basic techniques are:-Firstly,Telephone Calls: If the loan client misses the due date, the customer will be contacted by phone to request immediate repayment and to get his or her account up to date. Secondly Personal visits: - If the customer does not respond positively to the phone call, vesting his company and discussing the problem with the customer may be a very successful collection method. Third Letters: - If the efforts made so far have been insufficient and have not produced a satisfactory response, a polite letter informing the customer of its responsibility should be sent, followed by warning letters outlining the action to be taken in the future and the consequences. Collection letters are the first step in the collection process for past due and overdue loan accounts. Then Using Collection Agencies: Firms can turn uncollectible accounts over to a collection agency or an attorney for collection. The fees for this service are typically quite high; the firm may receive less than fifty percent on accounts collected in this way. Next Legal Action: legal action is the most stringent step in the collection process. It is an alternative to the use of a collection agency not only is direct legal action expensive, but is may force the debtor in to Bankruptcy, thereby reducing the possibility of future business without guarantying the ultimate receipt of overdue amount (Saunders, A. (2014).

2.2.9 Principles for the Assessment of Banks Management of Credit Risk

Since exposure to credit risk continues to be the leading source of problems in Banks world-wide, Banks and their supervisors should be able to draw useful lessons from past experiences. Banks should be acutely aware of the need to identify, measure, monitor, and control credit risk, as well as to ensure that they have sufficient capital in order to minimize the risks and that they are adequately compensated for those risks. The following principles have been issued by the Basel Committee. in order to encourage banking supervisors globally to promote sound practices for managing credit risk (Oludhe, J., 2011).

A. Establishing an appropriate credit risk environment

Principle 1: The board of directors should be in responsibility of approving and updating the Bank's credit risk plan and significant credit risk policies on a regular basis (at least once a year). The strategy should reflect the bank's risk tolerance and the expected level of profit from taking on various credit risks.Ngare, E. (2008) noted that as with all other areas of a Bank’s activities, the board of directors has a critical role to play in overseeing the credit risk management and credit-granting functions of the Bank. Each bank should develop a credit risk strategy or plan that establishes the goals that will guide the bank's credit-granting activities and outlines the policies and procedures that will be used to carry out those activities. The credit risk strategy, as well as significant credit risk policies, should be accepted and checked by the board of directors on a regular basis (at least once a year). The board must recognize that the strategy and policies must cover all of the Bank's activities under which credit exposure is a significant risk. The strategy should include a statement of the Bank’s willingness to grant credit based on exposure type (for example, commercial, consumer, real state), economic sector, geographical location, currency, maturity and anticipated profitability. This might also include the identification of target markets and the overall characteristics that the Bank would want to achieve in its credit portfolio (including levels of diversification and concentration tolerances).

Principle 2: Senior management should have responsibility for implementing the credit risk strategy approved by the board of directors and for establishing policies and procedures for identifying, measuring, monitoring and controlling credit risk. Credit risk should be addressed in all of the Bank operational activities and at both the individual credit and portfolio levels.Senior management of a Bank is responsible for implementing the credit risk strategy approved by the board of directors. This involves ensuring that the Bank’s credit-granting a practices are consistent with its strategy, that written procedures are created and enforced, and that loan approval and review responsibilities are clearly and properly assigned. Senior management must also ensure that there is a periodic independent internal assessment of the Bank’s credit-granting and management functions (Kithinji, A. M., 2010).

Principle 3: Banks should identify and manage credit risk inherent in all products and activities. Before introducing or undertaking new products or operations, banks should ensure that they are subject to adequate risk management procedures and controls, which have been approved in advance by the board of directors or the appropriate committee. (Kithinji, A. M., 2010).

The identification and analysis of existing and potential risks inherent in any product or activity is the cornerstone for a successful credit risk management process. As a result, it's crucial that banks define all credit risk inherent with the products they offer and the activities they engage in. Such identification stems from a careful review of the existing and potential credit risk characteristics of the product or activity. In more complex credit-granting practices, banks must develop a clear understanding of the credit risks involved (for example, loans to certain industry sectors, asset securitization, customer-written options, credit derivatives, credit-linked notes).This is particularly important because the credit risk involved, while not new to Banking, may be less obvious and require more analysis than the risk of more traditional credit-granting activities (Lagat, F. K., Mugo, R., &Otuya, R., 2013).

Although more complex credit-granting activities may require tailored procedures and controls, the basic principles of credit risk management will still apply. New ventures require significant planning and careful oversight to ensure the risks are appropriately identified and managed. Banks should ensure that the risks of new products and activities are subject to adequate procedures and controls before being introduced or undertaken. Any major new activity should be approved in advance by the board of directors or its appropriate delegated committee.

B. Operating under a sound credit granting process

Principle 4: Credit-granting conditions must be sound and well-defined for banks to operate. These requirements should include a clear indication of the Bank's target market and a detailed understanding of the borrower or counterparty, as well as the credit's function, structure, and repayment source.Establishing sound, well-defined credit-granting criteria is essential to approving credit in a safe and sound manner. Banks must receive sufficient information to enable a comprehensive assessment of the true risk profile of the borrower or counterparty. The criteria should set out who is eligible for credit and for how much, what types of credit are available.

Principle 5: Banks should set overall credit limits for individual borrowers and counterparties, as well as groups of connected counterparties that aggregate different types of exposures in a comparable and meaningful manner, both in the Banking and Trading book and on and off the balance sheet.An important element of credit risk management is the establishment of exposure limits on single counterparties and groups of connected counterparties. Such limits are frequently based in part on the internal risk rating assigned to the borrower or counterparty, with counterparties assigned better risk ratings having potentially higher exposure limits. Limits should also be established for particular industries or economic sectors, geographic regions and specific products (Apanga, M. A. N., Appiah, K. O., & Arthur, J. (2016).

Principle 6: Banks should have a well-defined mechanism for approving new credits, as well as amending, renewing, and re-financing existing credits.In order to maintain a sound credit portfolio, a Bank must have an established formal transaction assessment and approval process for the granting of credits. Approvals should be made in compliance with the Bank's written guidelines and issued by the required level of management. There should be a clear audit trail documenting that the approval process was complied with and identifying the individual(s) and/or committee(s) providing input as well as making the credit decision. Banks often benefit from the establishment of specialist credit groups to analyse and approve credits related to significant product lines, types of credit facilities and industrial and geographic sectors. Banks should invest in adequate credit decision resources so that they are able to make sound credit decisions consistent with their credit strategy and meet competitive time, pricing and structuring pressures (ZERGA, F. (2016).

Principle 7: All credit extensions must be made on an arm's length basis. Credits to related companies and individuals, in particular, must be licensed on an exception basis, closely monitored, and other effective measures taken to monitor or minimize the risks of non-length arms lending.Granting credit to non-arms-length and related parties, whether companies or individuals, is a potential source of abuse. As a result, it's important that banks grant credit to such parties on an arm's-length basis, and that the amount of loans granted is appropriately monitored. Such controls are most easily implemented by requiring that the terms and conditions of such credits not be more favourable than credit granted to non-related borrowers under similar circumstances and by imposing strict absolute limits on such credits. Another possible method of control is the public disclosure of the terms of credits granted to related parties. The Bank's credit-granting criteria should not be altered to accommodate related companies and individuals (Nyong'o, J. N., 2014).

C. Maintaining appropriate credit administration and monitoring process

Principle 8: Banks should have in place a system for the ongoing administration of their various credit risk-bearing portfolios. Credit administration is an essential part of a bank's overall protection and soundness. If a credit has been granted, it is the responsibility of the business unit to ensure that the credit is properly maintained, often in partnership with a credit administration support team. This includes keeping an up-to-date credit file, obtaining current financial information, and sending renewal notices. Principle 9: Banks must have a mechanism in place to monitoring the condition of individual credits, including determining the adequacy of provisions and reserves. Individual credits and single obligors must be monitored in the Bank's various portfolios, which necessitate the production and implementation of comprehensive procedures and information systems.These procedures must establish guidelines for identifying and reporting potential problem credits and other transactions so that they can be subjected to more frequent monitoring, as well as possible corrective action, classification, and provisioning (Rahman, S., 2011).

Principle 10: In order to manage credit risk, banks are encouraged to develop and use an internal risk rating system. The rating system should be appropriate for the size, complexity, and complexity of a bank's operations. An internal risk rating system is an important tool in monitoring the quality of individual credits as well as the total portfolio. A well-structured internal risk rating system is a good means of differentiating the degree of credit risk in the different credit exposures of a Bank. This will allow more accurate determination of the overall characteristics of the credit portfolio, concentrations, problem credits, and the adequacy of loan loss reserves.More detailed and sophisticated internal risk rating systems, used primarily at larger Banks, can also be used to determine internal capital allocation, pricing of credits, and profitability of transactions and relationships (Siddiqi, N., 2012).

Principle 11: Banks must have information systems and analytical techniques that enable management to measure the credit risk inherent in all on- and off-balance sheet activities. The management information system should provide adequate information on the composition of the credit portfolio, including identification of any concentrations of risk (Siddiqi, N., 2012).

Banks should have methodologies that enable them to quantify the risk involved in exposures to individual borrowers or counterparties. Banks should also be able to analyse credit risk at the product and portfolio level in order to identify any particular sensitivities or concentrations. The measurement of credit risk should take account of (i) the specific nature of the credit (loan, derivative, facility, etc.) and its contractual and financial conditions (maturity, reference rate, etc.); (ii) the exposure profile until maturity in relation to potential market movements; (iii) the existence of collateral or guarantees; and (iv) the potential for default based on the internal risk rating. The analysis of credit risk data should be undertaken at an appropriate frequency with the results reviewed against relevant limits. Banks should use measurement techniques that are appropriate to the complexity and level of the risks involved in their activities, based on robust data, and subject to periodic validation (Njanike, K., 2009).

Principle 12: Banks must have in place a system for monitoring the overall composition and quality of the credit portfolio.A continuing source of credit-related problems in Banks is concentrations within the credit portfolio. Concentrations of risk can take many forms and can arise whenever a significant number of credits have similar risk characteristics. Concentrations occur when, among other things, a Bank's portfolio contains a high level of direct or indirect credits to (i) a single counterparty, (ii) a group of connected counterparties11, (iii) a particular industry or economic sector, (iv) a geographic region, (v) an individual foreign country or a group of countries whose economies are strongly interrelated, (vi) a type of credit facility, or (vii) a type of collateral. Concentrations also occur in credits with the same maturity. Concentrations can stem from more complex or subtle linkages among credits in the portfolio. The concentration of risk does not only apply to the granting of loans but to the whole range of banking activities that, by their nature, involve counterparty risk. A high level of concentration exposes the Bank to adverse changes in the area in which the credits are concentrated (Brown, K., & Moles, P., 2014).

Principle 13: When assessing individual credits and credit portfolios, banks should consider potential future changes in economic conditions, as well as their credit risk exposures under stressful conditions.An important element of sound credit risk management involves discussing what could potentially go wrong with individual credits and within the various credit portfolios, and factoring this information into the analysis of the adequacy of capital and provisions. This is 'what if' exercise can reveal previously undetected areas of potential credit risk exposure for the Bank. The linkages between different categories of risk that are likely to emerge in times of crisis should be fully understood. In case of adverse circumstances, there may be a substantial correlation of various risks, especially credit and market risk. Scenario analysis and stress testing are useful ways of assessing areas of potential problems (Njanike, K., 2009).

D. Ensuring adequate controls over credit risk

Principle 14;- Njanike, K., (2009) furthered on this principle as banks must establish a system of independent, ongoing evaluation of their credit risk management processes, with the findings reported directly to the board of directors and senior management.Internal credit reviews conducted by individual's independent from the business function provide an important assessment of individual credits and the overall quality of the credit portfolio. Such a credit review function can help evaluate the overall credit administration process, determine the accuracy of internal risk ratings and judge whether the account officer is properly monitoring individual credits. The credit review function should report directly to the board of directors, a committee with audit responsibilities, or senior management without lending authority (e.g., senior management within the risk control function).

Principle 15: Banks must ensure that the credit-granting mechanism is well-managed, and that credit exposures are held within prudential standards and internal limits. Banks should establish and enforce internal controls and other practices to ensure that exceptions to policies, procedures and limits are reported in a timely manner to the appropriate level of management for action.The goal of credit risk management is to keep a bank's credit risk exposure within the board of directors' and senior management's defined limits. Internal controls, operational limits, and other practices, when established and enforced, will help ensure that credit risk exposures do not reach levels appropriate to the individual Bank. Such a system will enable Bank management to monitor adherence to the established credit risk objectives (Nyasaka, F. O., 2017).

Principle 16;- Banks must have a mechanism in place for taking early corrective action on deteriorating credits, managing problem credits and similar workout situations.One reason for establishing a systematic credit review process is to identify weakened or problem credits. A reduction in credit quality should be recognized early on, as there could be more options for improving the credit.Banks must have a disciplined and vigorous remedial management process, triggered by specific events, that is administered through the credit administration and problem recognition systems (Nyasaka, F. O., 2017).

2.2.10 Default Problems

According to Eskinder, B. (2016), Non-payment of loans has a number of negative consequences. It destabilizes the credit system over time. Loan administration costs for past-due loans are heavy.

In addition, defaults raise lending costs without increasing loan turnover. Defaults reduce the resource base for further lending, weaken staff morale, and affect the borrower's confidence. According to Pandmanabhan (1986), causes of delinquencies and defaults are classified as relating to three levels: borrower level, financing institution level, and economy level.

i. Causes At Borrower Level:

Borrowers who divert loans to non-essential consumption have a hard time difficult their repayment obligations on time, and investments fail to generate sufficient income due to poor technical advice.; in addition, absence of supporting services, inadequate marketing, etc. more everinvestments also fail due to unforeseen causes like floods, drought, etc. in both cases repayment would be affected. So, when borrowers have liabilities towards informal lenders, they get precedence over institutional lenders.Finally,Contingencies at borrower household like death, sickness, etc., affect repayment performance. Formal institutions which do not extend consumption and emergency loans are liable to have higher default rates (Teshome, D., 2010).

ii. Causes At Financing Institution Level:

According toTeshome, D. (2010), defective loan appraisal procedures in financial institutions can result in the financing of bad projects and consequential defaults .Quality of loan officers, their ability and knowledge in the field, and their capacity to judge borrowers as also the incentive packages available to them affect repayment performance fixing of inappropriate repayment schedules and lack of flexibility often result in defaults. Similarly, when the procedure for repayment is cumbersome borrowers tend to delay repayments.Defaults have a 'spread effect' particularly in the marginal cases.When lenders show reluctance to enforce sanctions against conspicuous defaulters, defaults tend to increase through a process of imitation.

iii.Causes At Economy Level:

When it comes to overall government policies, such as pricing of inputs and outputs, marketing, and so on, the specific sector are discriminated against. Governments' faulty monetary and fiscal policies could result in high inflationary conditions. Borrowers tend to delay repayments in such a situation to take advantage of the fall in value of currency. Interest rate policies of government have a vital role in the promotion of repayments. When the real rate is excessively low, borrowing and consumption will be much more profitable than saving and repayment. Excessive government intervention in the day-to-day administration of financial institutions could result in bad loans.

Calamities like droughts, floods, market glut, etc could result non-performing loans (McKinnon, R. I., 2010).

2.2.11 Loan Follow Up

As stressed by Nyasaka, F. O. (2017), a sound credit risk analysis/appraisal and evaluation of borrowers' creditworthiness are used to make lending decisions. However, past records of satisfactory performance and not guarantee future outcomes, even though they can be used as a guide to project performance patterns.Since the borrower does not follow the terms and conditions of the loan contract, a loan granted on the basis of sound analysis may go bad. As a consequence, proper follow-up and monitoring are essential. The following essential factors of monitoring or follow-up are discussed:

These include ensuring that terms and conditions are followed, as well as monitoring the final usage of funds that have been approved. Monitoring performance to check continued viability of operations Detecting deviations from terms of decision Making periodic assessment of the health of the loans and advances by nothing some of the key indicators of performance that might include: profitability, activity level and management of the unit and ensure that the assets created are effectively utilized for productive purposes and are well maintained. Ensuring recovery of the instalments of the principal and interest in case of term loan as per the scheduled repayment program is one of the basic credit management practices. Identify early warning signals, if any, and initiate remedial measures thereby averting from possible default. Basically there are three types of loan follow up systems. These are: Physical follow up, financial follow up and legal follow up. Each is discussed in section that follows (Nyasaka, F. O., 2017).

Physical Follow –up

Physical follow-up aids in ensuring the business's life and activity, the status of collateral properties, the reliability of declared financial data, the quality of goods, and the financial data's conformity with other records. (such as taxes,register books), availability of raw materials, labour situation, marketing difficulties observed,undue turnover of key operating personnel, change in management set up among others (Semu, A., Tesfaye, A., &Kebede, M., 2014).

a) Financial follow up

Financial follow up is required to ensure whether the assumptions on which lending decisions was taken continues to hold good both in regard to borrowers' operation and environment, and that the loan is being used for the intended purpose (Bos, M., Carter, S. P., &Skiba, P. M., 2018).

b) Legal Follow-up

According toBos, Met.al., the purpose of legal follow up is to ensure that the Bank's legal protection is available at all times It entails obtaining and obtaining proper documentation, keeping them alive, registration,, and proper insurance follow-up. Specific issues pertaining to legal follow up include: ascertaining whether contracts are properly executed by appropriate persons and documents are complete in all aspects, obtaining revival letters in time (revival letters refer to renewal letter for registration of security contracts that have passed the statutory period as laid down by the law), ensuring loan/mortgage contracts are updated timely and examining the regulatory directives, laws, third party claims among others.

2.3 Empirical Studies

Bhattarai, Y. R. (2016), on his study of 'Credit Assessment Practices of commercial Banks in Bangladesh 'the Bangladesh commercial bank has investigate and evaluate credit assessment activities for forward possible suggestions. Based on his nature of the researcher used both primary and secondary data sources and both qualitative and quantitative data ate analysis methods to evaluate the Banks credit assessment using Banks loan and advance growth, income from loan, sector credit allocation and credit risk management and nonperforming loan status of the Bank as measuring parameters. The research has found that growth of loan and advances are sustainable, well sector allocation of loans, well risk management and income from loan and advances are increasing despite some Banks need to increase their general loan policy.

Omboto, L. O., &Ombaba Kennedy, B. (2019) try to examine the causes of bad and doubtful debt in Nigeria commercial Banks. The study uses both primary and secondary tools for data collection to determine causes of bad debts. Analysis of Variance (ANOVA) and autoregressive model were applied to validate the result spanning the period 1993 to 2011. Finally, the financial institutions should all together, set up credit bureau system which is a form of data Bank where every Bank will submit the names of its defaulting customers for references by others. This will equally frustrate multiple borrowing from Banks for the same purpose by the dubious customers.

Adam, M. H. M. (2014) has examined empirically the performance of Bahrain's commercial banks in terms of credit (loan), liquidity, and profitability from 1994 to 2001. Nine financial ratios (Return on Asset, Return on Equity, Cost to Revenue, Net Loans to Total Asset, Net Loans to Deposit, Liquid Asset to Deposit, Equity to Asset, Equity to Loan and Non-performing loans to Gross Loan) were selected for measuring credit, liquidity and profitability performances. By applying these financial measures, this paper found that the liquidity performance of commercial banks was not match that of Bahrain's banking industry. In comparison to the banking industry, commercial banks are less profitable, less liquid, and more risky. This study finds no conclusive results in terms of asset quality or credit performance. The ratio of non-performing loans to gross loans (NPLGL) indicates that commercial banks and the banking industry in Bahrain performed there was no difference.

Abd Karim, M. Z., Chan, S. G., & Hassan, S. (2010),poor banking institution management results in low-quality loans, which increases the number of non-performing loans. They argue that inadequate banking management contributes to bank inefficiency, which affects the loan-granting process. The Bank’s management might not thoroughly evaluate their customers’ credit application due to their poor evaluation skills. Therefore, Banks’ inefficiencies might lead to higher non-performing loans.Ahmed, Takeda and Shawn (1998), in their study examinedloan loss provisions have a substantial positive impact on non-performing loans As a result; an increase in loan loss provision signals an increase in credit risk and a decrease in loan quality, negatively impacting Bank profitability.

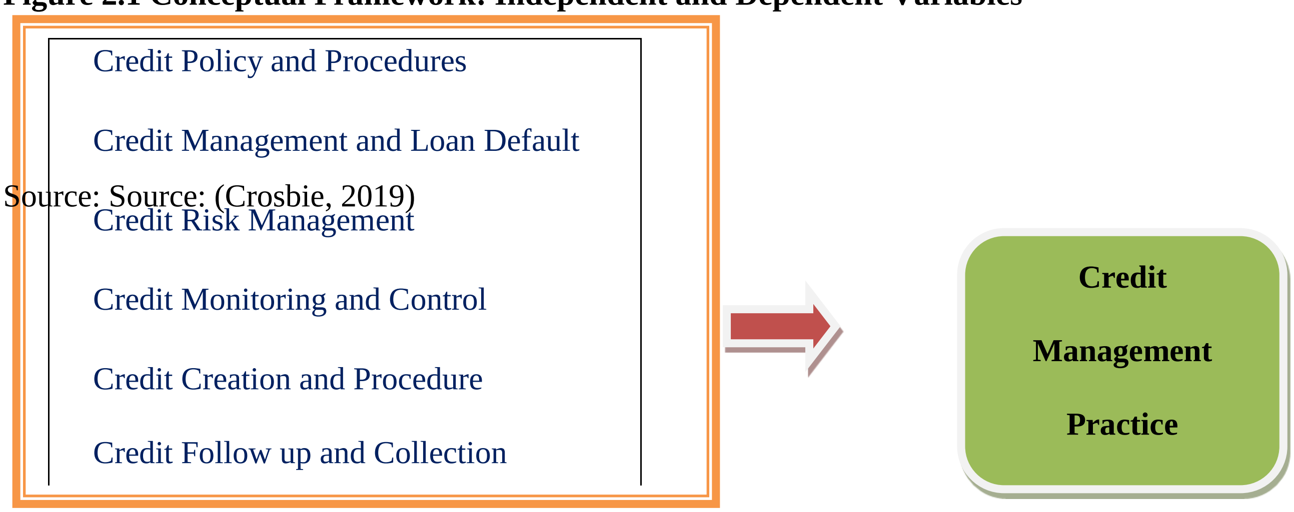
Seyoum, A., Nigussie, H., &Tesfay, T. (2016), examined the problem of loan recovery and determinants of loan default. Some of the reasons for loan defaults, according to his research, include poor entrepreneur selection, poor project viability analysis, and inadequate collateral. He further discussed that factors influencing loan recovery can be divided into three categories: pre-establishment, implementation, and operational.Seifu, G. (2017), on his study of The determinants of nonperforming loans in Ethiopian commercial banks have discovered that the following factors have a substantial impact on NPLs:thoseare poor credit assessment,failed loan monitoring, underdeveloped credit culture,lenient credit terms and conditions, aggressive lending, compromised integrity, weak institutional capacity, unfair competition among Banks,wilful defaults by borrower and their knowledge limitation, thus fund diversion for un expected purposes and overdue financing.

Another research also has made by HagosMirach, at University of Mekelle, Ethiopia, (2010), which is a case study on ‘Credit Management Practice of the WogagenBank in Tigray Region’Using both primary and secondary data, as well as qualitative and quantitative data analysis methods, the bank was found to be managing its credit good in this specific region in several ways.However the researcher has also indicated that very long loan processes, in adequate credit policy in terms of customers aspect discouraging credit customers.Empirical reviews that I made so far, which included in this research paper or not, show and emphasize on loan management practices of some African and Asian commercial Banks. To the extents of my reviews of related research materials, did not find any general or specific study that made on the assessment of credit management practice in Oromia international Bank. Therefore it is the researchers’ belief that it is appropriate to carry on the research on the established topic.

2.4Conceptual Frame Work

The aim of this study is to assesscredit management practices in Oromia International Bank S.C. And the following conceptual structure was developed based on the study's objective has been formulated.

Figure 2.1 Conceptual Framework: Independent and Dependent Variables



Source: Source: (Crosbie, 2019)

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This part presents the research design, target group of the study, data collection methods, sampling technique and sample size, types and sources of data, and data analysis methods. The details are presented under each subtitle as follows.

3.2Research Design

A research design constitutes the blueprint for collecting, measuring and analysing of data. This research has useddescriptive researchdesign. As stated by Ngari, J. M. K., &Muiruri, J. K. (2014), descriptive research involves gathering of data that describe events and then organizes, tabulates, depicts and describes the collected data. This research design enables the researcher to describe the phenomenon of interest from individual or organizational perspectives. In addition, this study design is fundamental to add knowledge about a subject by describing a shape or nature of a phenomenon by answering vital research questions like 'what is going on' about a situation. Accordingly this study has found this research design to be more appropriate to collect data from the sources and then analyses it in order to asses and describes the prevailingactivities of credit management practices at Oromia International Bank S.C.

3.3 Data Sources and Data Collection Methods

Both primary and secondary sources of data have been used in the study. The primary data was collected using questionnaire prepared for OIB's city branch managers, loan officers and head office credit department staffs as well as credit analysts. Secondary data was collected from reports maintained by National Bank of Ethiopia (NBE) and annual reports of Oromia International BankS.C.open ended interview and structured questionnaires wereemployed for the purpose of gathering datafrom primary source.

Questionnaire: A questionnaire consisting of closed and open-ended questions were administered to selected respondents. The questionnaires were distributed for all the sample population and filled out by staffs selected to do so. The questionnaires are developed and adopted to undertake this study which contains statements that are specifically designed to measure credit management practice of the Bank based on credit policy, credit risk management, credit management practice and credit monitoring and controlling dimensions.

A standard questionnairewas adopted from Ahiable, E. Y. (2012), who conducted study on assessment ofcredit management practices in agricultural development Bank of Ghana. The questionnaires are re-designed and arranged based on the specific relationship of parameters. The first section of the questionnaire is designed to collect the participants' background information. The second part of the questionnaire emphasizes on evaluating adequacy and capability of the Bank's policy to manage its credit practice. The third part related toundertaking of interviewwith respondents by the researcher herself in order to effectively gather pertinent information regarding the credit management practices of the Bank.

3.4 Target Population of the Study

The study's target population included more than 3,5000 OIB employees. However, a total of 140 employees have direct experience in credit processing and administration. As a result, only those workers who have a clear link and association with credit processing and administration activities have been approached for the purposes of this report.Credit Management Department Chief, District Managers, Branch Managers, Assistant Branch Managers, Customer Relationship Managers (CRM), Loan Officers, and Loan Committee Representatives are among those who work in the Credit Management Department.

3.5 Sampling Technique

A total sampling unit of one hundred forty(140) employees was selected from HO andNorth-west Finfinnee District Office. The selection of sampling frame was made based on convenience of the researcher meant to filter out those respondents that have good exposure to credit processing tasks. This technique was decided due to the reason that the respondents shall have adequate experience in credit administration and processing so that they could be knowledgeable enough to give answers to those technical questions. According to Mujere, N. (2016), purposive/convenience sampling allows room for selecting units for inclusion of respondents with special skill in a sample.Hence, the sampling technique employed in the study is purposive sampling technique.

The sample respondents from 51branches which are found under North-west FinfinneDistrict, credit department from head office, and North-west Finfinnee District Officeitself were considered for the study. This technique is needed to choose members of the population to participate in the study purposively based on the researcher's own judgments to answer research questions and/or achieve research objectives.

3.6Sample Size

The selected samples of respondents were104 staffs from51branches which were found underNorth- west Finfinneedistricts asof 30thJune, 2020.As the credit analysisprocess takes place at branch level, the researcherselected the branches as a sample and the credit operation approval is conducted at three levels which is also considered as a sample: corporate level with a limit ofabove Br. 15 million, Chief Retail Medium and Small Enterprise with a limit from Birr 10 million to Br. 15 million, district level with a limit up toBr.10 million. At Branch level there is no approval, but they conduct the credit process and cash collateral and also recommend the customers who received loan to the approvingwork units.

There weretwo staffs as minimum number of who are directly involved in credit operation at each branch level.Thus, 102 employees (two employees from each 51 branches under the district office) were selected from each as a sample. In addition, there were8 employees who were directly involved in the credit operation at district level.Moreover, at head officethere were two departments namely 'Credit Analysis and Appraisal department' and 'Credit recovery and portfolio management' Departments.Thenumber of staffs found at Credit Analysis and Appraisal department is 14whereas there were 16atCredit recovery and portfolio management department. Thus, a total of 140employees (102+8+14+16)comprise a total a target population sizeof the study. This sampling technique helps the researcher to gather opinion from various personnel working at credit section at branch, district and head office department.

The study established the sample size to be used in the study using Yamane (1967), this is as shown below;

Formula $n= N/(1+N*e^2)$

Where n = study sample size,

N = the size of the population

e = error term (0.05)

Hence, n= $140/(1+140*0.05^2) = 104$

104sample respondents were selected

From the formula a sample size of 104sample respondents were obtained and this was 75% of the population being studied.

	Target population	Sample size
Branch	102	76
District	8	6
Head office	30	22
Total	**140**	**104**

3.7Data Analysis Methods

To assess the efficiency of Oromia International Bank S.C.'s credit management practices and to meet the study's objectives, the researcher used a mixed analysis methodology (both qualitative and quantitative), with the majority of the data being qualitative.The data collected, which reflect a high magnitude of problems from interview and questionnaires was analyzed, presented, and interpreted to give solutions for the research problem using descriptive statistical tools like percentage, frequency and ratios.The data was summarized and presented using tables,ratios and figures. The analysis was made using excel spreadsheet.

3.8Testing of Research Instrument

In order to test the instrument employed in this study, reliability has been used. Reliability refers to the confidence we can place on the measuring instrument to give us the same numeric value when the measurement is repeated on the same object (Gaur & Gaur, 2009). According to Robson (2011), validity of a research instrument assesses the extent to which the instrument measures what it is designed to measure. As a result, the Cronbach'salpha test is used to determine the instrument's reliability and validity.

Cronbach's alpha is a coefficient of reliability used to measure the internal consistency of the scale; it represented a number between 0 and 1. According to Sekaran (2003), the closer the reliability coefficient gets to 1.0, the better it is, and those values over 0.80 are considered as good. Those values in the 0.70 are considered as acceptable and that reliability value less than 0.60 is considered being poor.

3.9 Ethical Consideration

The study has gone deep to ensure certain beliefs about the nature of the study could not intentionally or unintentionally manipulate the outcome of the study in a way that favours the expected outcomes. The respondents have been assured in writings about the intention, objective & ethical considerations of the study. This has enabled the outcomes of the study could not get biased through the insertion of researcher's assertions for expected outcomes. Therefore, the student researcher hasmade the participants of the study understood this aspect and go deep to manage it so that his expectations should not guide the study findings.

CHAPTER FOUR

DATA ANALYSIS, DISCUSSIONAND INTERPRETATION

4.1 Introduction

This chapter is concerned with the presentation, analysis, and interpretation of the data obtained both primary sources (questionnaires and interviews) and secondary sources collected from the Bank's annual reports, manuals and data bases.

Table 4.1: Response Rate

Response	Frequency	Percent (%)
Returned	100	96
Unreturned	4	4
Total	**104**	**100.0**

(Source: own data 2021)

As can be seen from the above table the response frequency and percent returned are100and 96% respectively. This depicts that the unreturned response rate is 4% from a total sample of 104. The study selected a sample of 104 respondents and all of them were issued with questionnaires. The researcher was able to receive back 100 questionnaires translating to 96% response rate. According to Mugenda and Mugenda (2008), a response rate is considered satisfactory if 50 percent of it can be obtained, nice if 60 percent can be obtained, and excellent if 70 percent or more can be obtained. As a result, the study's response rate (100 out of 104) is fair and practical for drawing conclusions, inferences, and sketches.

4.2DemographicCharacteristics ofRespondents

The employee's demographical nature has a great contribution in the credit management of loans and advance in understanding the credit policies and procedures as well as exercising and improving it when required. Thus, in this study, the demographic characteristics of respondents like gender, age, marital status educational level, job position and credit related experience are assessed.

Table 4.2: Gender

	Frequency	Percent	Cumulative Percent
Male	57	57%	57%
Female	43	43%	100%
Total	**100**	**100%**	

(Source: own data 2021)

Table 4.2 shows that the majority of respondents, 57 percent, are male workers, while 43 percent are female employees. In general, as shown in table 4.2, the majority of employees were male. Nonetheless, since there is no significant male superiority and vis-à-vis, gender diversity has been maintained to a sufficient degree. This eliminates the potential for gender inequality in the current evaluation.

Table 4.3: Age

	Frequency	Percent	Cumulative Percent
20-30Years	65	65%	65%
31and above	35	35%	100.0%
Total	**100**	**100%**	

(Source: own data 2021)

Table 4.3 shows that 65% of respondents are those surveyed are between the ages of 20 and 30, while 35% are between the ages of 31 and above. This means that the bank's human resource department can operate efficiently and effectively while also understandingthe essence of experience and appreciating the bank's role and priorities in this sector. This boosts the study's morale by ensuring that data is obtained from a wide range of age groups. It also ensures that responses come from a variety of age groups.

Table 4.4: Marital status

	Frequency	Percent	Cumulative Percent
Single	31	31%	31%
Married	69	69%	100
Total	**100**	**100%**	

(Source: own data 2021)

In the financial industry is very sensitive and risk exposed requiring human resources who are responsible, trust worthiness and accountable for the judicious management of the finance. Hence if the employee working in such risk exposed area is tied up with such social responsibilities it adds value. In the table 4.4, 69percent of the respondents are married while 31percent are single.This indicates that the majority of respondents are thought to be more responsible and stable individuals with higher levels of accountability. Meanwhile, this is related to the study by allowing for a better mix of responses from both groups of respondents, avoiding prejudice caused by concentration on one wing of the listed groups.

Table 4.5: Educational Qualifications of Respondents

(Source: own data 2021)

	Frequency	Percent	Cumulative Percent
Degree	71	71%	71%
Masters	29	29%	100%
Total	**100**	**100%**	

Educational background of employee is an important factor to be considered with regard to making loan related decisions. As shown in table 4.5, 71% of respondents have a first-degree qualification, while 29% have a master's degree. This means that respondents employed in the credit industry are academically trained and want to update their skills through continuing education.This is a good opportunity for the study and believed that the respondents can easily understand and respond the questions posed to them while gathering data from their ends.

Table 4.6: Work Position of Respondents

	Frequency	Percent	Cumulative Percent
Managerial	35	35%	35%
Professional	50	50%	85%
Clerical	15	15%	100%
Total	**100**	**100%**	

(Source: own data 2021)

As can be seen in table 4.6, 35% of the respondents are in managerial positions, such as branch managers and assistant branch managers, while 50% are officers, and the remaining 15% are clerks (mainly loan officers and analyst).This can be taken as a good side for the study since majority of the respondents are experts in credit management practice which can give response knowledgeably and confidently.

Table 4.7.: Credit Related Experience of Respondents

	Frequency	**Percent**	**Cumulative Percent**
1-5 years	52	52%	52%
6-10 years	42	42%	94%
Above 10 years	6	6%	100.0%
Total	**99**	**100%**	

(Source: own data 2021)

As shown in the table above table 4.7, the work experience of the respondents' service year in credit area of the Bank, more than 52 percent of them has found under the range of 1 to 5 years, which contributes much to know deeply about the job. Whereas 42 percent of them are very rich in credit experience by working between 5 and 10 years, while 6 percent have above 10 year of stay in credit operations.As a result the researcher believes that the respondents have a good work experience. Due to their experience respondents came across many credit risk exposures. This might have helped them to clearly understand the current credit experience management practice of the Bank and they can easily identify the strength and weakness of same in the Bank. Hence they are believed to provide well experienced and thoughtful response as an input for this study.

4.3 Research related questionnaires(Credit Management and practice)

In order to start the analysis of this study the student researcher considered the validity and reliability ofthe instrument.

4.3.1. Validity and Reliability Analysis

4.3.1.1. ValidityAnalysis

Validityaccording to Carmines andPaul R. (1998)is definedashow muchany measuringinstrument measureswhat itis intendedto measure.

Cronbach's alpha is one of the most common methods for checking internal consistency reliability. Group variability, score reliability, number of items, sample sizes, and difficulty level of the instrument also can impact the Cronbach's alpha value. Though, the study has adopted tested standard instruments to indemnify the issueof data validity, validity analysis is tested here under in the research process.

4.3.1.2. Scale Reliability Analysis

In order to test the instrument employed in this study, reliability has been used. Reliability refers to the confidence we can place on the measuring instrument to give us the same numeric value when the measurement is repeated on the same object (Gaur & Gaur, 2009). For checking the reliability and validity of the instrument, Cronbach's alpha test was used.

Cronbach's alpha is a coefficient of reliability used to measure the internal consistency of the scale; it represents a number between 0 and 1. According to Sekaran (2003), the closer the reliability coefficient gets to 1.0, the better it is, and those values over 0.80 are considered as good. Those values above 0.70 are considered as acceptable and that reliability values less than 0.60 are considered to be poor.

Besides, the researcher also believe that this study is reliable since the respondents were selected based on their past experiences on credit management and their responses were expected to be credible. Keeping all these facts, the researcher has made reliability analysis using Cronbach's coefficient alpha for the entire set of statement which was found to be 0.895 and it is much higher than the threshold value of 0.65.The reliability result for the three categories of the research topics are also presented below which confirms the scale is considered to be reliable.

Table 4.8 Scale Reliability (Cronbach's alpha)

Reliability Statistics

Research's Focus Area	No of Items	Cronbach's Alpha
Credit Policy and Procedures	4	0.784
Credit Management and Loan Default	7	0.825
Credit Risk Management	6	0.720
Credit Monitoring and Control	4	0.734
Credit Creation and Procedure	4	0.773
Credit Follow up and Collection	6	0.765

(Source: Own computation, 2021)

Table 4.8.1:Do you have credit manual or policy?

	Frequency	**Percent**	**Cumulative Percent**
Disagree	0		
Agree	100	100%	100%
Total	**100**	**100%**	**100%**

(Source: own data 2021)

As shown above in table 4.8.1 100 percent of the respondents agreed on the Bank have credit manual or policy this implies that the Bank have a ruling procedure to done credit process.

Table 4.8.2: How can you see your institutions credit policy and procedures?

	Frequency	**Percent**	**Cumulative Percent**
Rigid	15	15%	15%
Flexible	66	66%	81%
Average	19	19%	100%
Total	**100**	**100%**	

(Source: own data 2021)

As above table 4.8.2 shows the institution of credit policy and procedure 66 percent of respondents are the policy is flexible and 19 percent of respondents are on average the remaining 15 percent of respondent rigid This implies that the credit policy and procedure of the Bank is good for customer attraction and protect the Bank from credit risk.

Table4.8.3: Do the policies and procedures exactly comply with regulation of national Banks?

	Frequency	**Percent**	**Cumulative Percent**
Disagree	16	16%	16%
Agree	84	84%	100.0%
Total	**100**	**100%**	

(Source: own data 2021)

Most of the respondents 84 percent have agreed that the Banks comply with national Bank of Ethiopia. Thisanalysis forwarded that the Bankruled with regulation anddirectionofthe regulator body.

Table 4.8.4:Does the practical loan processing and appraisal activities of the district offices.Comply with the Bank credit policy and procedures?

	Frequency	**Percent**	**Cumulative Percent**
Disagree	32	32%	32%
Agree	68	68%	100%
Total	**78**	**100%**	

(Source: own data 2021)

The result show from table 4.8.4 indicated that 68 percent of respondents answered the practical loan processing and appraisal activates of the district offices comply with Bank credit policy and procedure. These shows the OIB Bank implement the credit policy and procure for appraisal and loan process effectively.

4.4Likert Scale Statistics

In this section the respondentsresponses were obtained using a Likert scale comprising of 5-points. The descriptionsposed to the respondents were relatingtovarious cases of credit management practise. Meanvaluetries to show where the opinion of majority of respondentsfalls. In the Likert scale, if the mean is relation to the one given a scale of 1in the Likert scale is very significant from 1 to 1.80, it means strongly disagree, from 1.81 to2.60 it means interpreted relation to the one given a scale of 2 the Likert scale disagree, from 2.61 to 3.40, it means interpreted relation to the one given a scale of3 the Likert scale neutral; from 3.41 to 4.20 it means interpreted relation to the one given a scale of 4 the Likert scale agree from 4.21 to 5 it means interpreted relation to the one given a scale 5 the Likert scale strongly agree,

4.4.1 Credit management and loan default

	Description	Strong agree	Agree	Neutral	Disagree	Strong disagree	Mean	Standard division
1	The bank follows up on the loans it has given out to see if they have been used for the intended purpose.	0	34	0	35	31	2.37	1.16339
2	Loan collateralization helps to defend against loan default.	11	29	16	32	23	2.70	1.42436
3	The Bank effectively implements its loan recovery mechanism.	0	0	18	65	17	1.96	0.49523
4	Credit control activity of the Bank is sufficient to prevent loan default.	4	15	25	36	24	2.49	1.2530
5	The Bank is constantly ensuring NPL cases that have been moved to the foreclosure phase and receive prompt decisions in order to mitigate.	6	42	12	26	20	3.03	1.2530
6	To help mitigate potential loan defaults, the Bank prepares daily reports on selected credit accounts.	0	11	0	48	41	1.55	0.69595
7	Managing the bank's credit approval at the head office and district level increases the bank's ability to reduce its NPL.	0	20	41	39	0	2.48	0.67888

(Source: own data 2021)

As shown on table 4.4.1 Item (Q1) respondents with 2.37 mean and SD 1.1634disagreedon the statement that the Bank make proper follow up on the loans availed for they are spend on the actual purpose of the loan requested. This indicates that there is lack of proper follow up for actual outlay of the loan after it is granted. Regarding this under table 4.4.1 item (Q2) respondent was asked whether collateralizing loans help protect loan default.As the majority of the respondents were neutral with mean 2.7051 and SD 1.42436. As per the response result that is indicated under the same table item (Q3), respondents stronglydisagreedon the statement that the Bank effectively implements its loan recovery mechanism to reduce its bad loans as mean 19615 and SD0.49523.Regarding the question under table 4.4.1 item (Q4) if credit control activities of the Bank enable to prevent all loan default, most of the respondents disagreed with a mean of 2.4872 and SD 1.2530.Thus,this shows that there possible future loan loss due tonot sufficient credit control and follows up. Regarding question presented under table 4.4.1 item(Q5) respondents were neutral with mean 3.038 and SD 1.2530 on the statement that the Bank continuously makes sure that NPL cases transferred to foreclosure process get timely decision to reduce additional provision expense of the Bank. This show moderate response to reduce the nonperforming loan, the respondents under table 4.4.1 item (Q6) results showed that the respondents strongly disagreed in regular reports are not prepared on selected credit accounts to help the Bank reduce future failures, this statement is evidenced with the mean value of 1.5513 and SD 0.69595. This shows that there is lack of follow up on the selected credit accounts so as to detect early sign of future repayment failures.Regarding item (Q7), the respondents disagreed on the statement of managing the credit approval of the Bank at head office and district level improves the Bank capability of reduction of the Banks NPL with the mean show 2.4872 and SD 0.67888. It can be recapitulated from the above argument that, post sales service (credit follow up) is a common issue that need better attention and collaboration to strengthen the Bank's performance. Unless strong monitoring and follow up is there, likelihood of defaulting loan will increase and entail credit risk to the bank. Hence, follow-up, monitoring and control shall be taken as regular activity to relive the Bank from exposure to unforeseen credit risk. This result also agrees with the finding obtained byAtlabachew, S., GideY, Y., &Legesse, M. (2014).

4.4.2 Credit Risk Management

	Description	Strong agree	Agree	Neutral	Disagree	Strong disagree	Mean	Standard division
1	The loan portfolio is invested in different sectors of the economy	51	38	0	11	0	4.50	0.575
2	The Bank loan portfolio concentrates in particular sectors of the economy	0	0	71	0	29	1.47	0.639
3	The Bank has pre-set concentration limits in every sector	26	55	11	8	0	3.96	7.463
4	The Bank quickly responds to market changes	16	18	13	43	10	2.20	0.958
5	Financial interest between the borrower and the Bank official leads to loan default risks.	32	44	0	14	10	3.97	1.434
6	The Bank credit risk management procedure enables staffs to identify major credit risks.	11	15	0	49	25	2.19	1.152

(Source: own data 2021)

From the results tabulated above 4.4.2 item (Q1) show that respondents strong agreedthat the loan portfolio is invested in different sectors of the economy as shown by a mean of 4.5000 and SD, 0.57547 the statement shows the Banks distributed for hotel, truism, agricultural. To form efficient capital markets help mobilizing financing for growth anddevelopment. Respondentshave stronglydisagreed from table 4.4.2 item (Q2) as show mean2.7821and SD 0.41552 thatBank loan portfolio concentrate in particular sectors of the economy. This indicated the Bank loan portfolio is not concentrate in particular sector of the economy, the Bank as above indicated invest to different sector of economy. Respondents agreed from table 4.4.2 item(Q3) that Bank has pre-set concentration limits in ever sector as shown by a mean of 3.9615, and SD, 0.74629.The Bankhas limitation indicated for different loan portfolio to minimize the credit risk. Respondentsdisagreedfor 4.4.2item(Q4)that Bank quickly responds to market changes as shown by a mean of 2.2051 and SD, 0.95834. It shows the credit controlling mechanisms considers thus fluctuation of economy to compute in market. From table 4.9.2 for item (Q5) respondentsagree responded for financial interest between the borrower and the Bank officer leads to loan default risk this benefit that the Bank officer is going to receive will led to analysis to improper appraisal of loan requested as show by mean 3.2949 and SD1.43345.From table 4.4.2 item (Q6) it shows that respondents disagreed with the credit risk management procedure of the Bank is not efficient enough to enable staffs identify major credit risk as mean2.1923 and SD 1.15160.This indicated lack of credit risk management procedure.It can be summarized from the above argument that, adequate risk mitigation measures are not underway. This may expose the Bank to unforeseen credit risk. This result also agrees with the finding obtained byBelayneh, T., & Degu, Y. (2014).

4.4.3 Monitoring and Control of Credit

	Description	Strong agree	Agree	Neutral	Disagree	Strong disagree	Mean	Standard division
1	Collateral estimation regularly assessed& related to applicants financial health	25	49	12	14	0	3.85	0.90775
2	The Bank do pre audit before fund has been released to the applicant	0	13	0	42	45	1.55	0.69595
3	The Bank periodically prepare credit quality reports for signaling loan loss in any portfolio	0	0	71	0	29	2.78	0.41552
4	Customers are given sufficient advice on the usage of loans.	0	14	38	48	0	2.78	0.55184

(Source: own data 2021)

Based on the above table 4.4.3 item(Q1), it can be revealed thatcollateral estimation regularly assessed related to applicant's financial health as shown by mean 3.8590 and SD0.90775.This indicated that the Bank protect from unpaid amount and somehow reduce the credit risk.Hence, all loans are backed by adequate collateral whereby they can be compensated in case of failure to repay (defaulting) the loan as per contract agreement. As show the table 4.4.3 item(Q2) respondents disagreedthe Bank do pre-audit before fund has been released to the applicant as shown by mean 1.5513 and SD, 0.69595.This shows the Bankhas not considered about credit information process. The Respondents from table 4.4.3 item (Q3) were neutral for the query the Bank periodicallyprepares credit quality reports for signaling loan loss in a portfolio as shown by mean 2.7821 and SD0.41552. This is important for reducing loan losses. Respondents from above table 4.4.3 item (Q4) were neutralthat customer given sufficient advice on the usage of loans as shown by mean 2.4744 and SD0.55184. Unless proper consulting and post sales service is given to customers, there will be high likelihood of loan default. Hence, this creates a doubt on matter that there is lack of sufficient knowledge to utilize the funds as properly as preplanned. Regarding this aspect Chane (2016) has also arrived at similar outcome on his study conducted bearing a title “Assessment of Credit Management Practice in Commercial Bank of Ethiopia”.

Table 4.4.4 Time interval for processing a single loan and make decision

No	Time interval in loan process	Frequency	Percent	Cumulative Percent
A	Below 7 Days	56	56%	56%
B	8Day-14Day	27	27%	83%
D	15Day - 21 Days	10	10%	93%
C	22Day-30 Days	7	7%	100%
	Total	**100**	**100%**	

(Source: own data 2021)

As per the above table 4.4.4, 56 percent of the respondents replied that, the loan process takes below a week time, while 27 percent of them agreed with query that states between 8 and 14 days. However, 10 percent of respondents agree with in 15 to 21 days and the remaining respondentsagreewith 22 days up to a month. This means the loan processing time varies periodically depending on the nature and merit of the loan. Hence, it can be concluded that there is no standard loan processing time in the Bank. This may entail customers’ dissatisfaction and consumes the staffs processing time which may hamper the Bank’s performance too which in turn leads to subjectivity and bureaucratic dealings.

Table 4.4.5 Are there loans, which are granted without taking Collateral

	Frequency	Percent	Cumulative Percent
Agree	45	45%	45%
Disagree	55	55%	100%
Total	**100**	**100%%**	

(Source: own data 2021)

Respondent revealed from table 4.4.5 above that 55 percent of loan is not granted without collateral while 45 percent ofloans are granted without collateral.This shows there is a consideration in loan giving without collateral.Respondents are of the opinion that collateralizing loan may protect loan default. However, there is a chance where the borrowers can lose their pledged properties in case they borrow by pledging their attachable properties. This is the way how the Bank recompenses back for the fund advanced to its customers while there is a signal of actual loan default from borrowers end.

Table 4.4.6: Credit Creation by the Bank

Credit creation	**Frequency**	**Percent**	**Cumulative Percent**
By staffs approaching promoted clients	21	21%	21%
By new clients approaching with request	79	79%	100%
Total	**100**	**100%**	

(Source: own data 2021)

As it is shown in the table 4.4.6, 79 percent of the loan is created by new applicants approaching the Bankwith credit request,while21percent is created by the employees approaching potential loan clients. These shows the Bankshould further exert efforts to approach potential loan clients to be able to beat the stiff competition because most of the Banks profit rose from loan creation.It is the best way of creating quality loans as well as to win the prevailing stiffcompetition.This aspect was also arrived at by Chane (2016) who conducted similar study entitled "Assessment of Credit Management Practice in Commercial Bank of Ethiopia".

4.5Credit collection and follow up

4.5.1Do you have any follow up mechanism of your customer after granting the loan?

	Frequency	**Percent**	**Cumulative Percent**
Disagree	13	13%	13%
Agree	87	87%	100%
Total	**100**	**100%**	

(Source: own data 2021)

As per the above table,87 percent of the employees repliedas if they agreewith the follow up mechanism of Customers after grating the loan and the rest of 13percent of them replied 'Disagree'.Presence of follow up related to the follow up Mechanism of borrowers after advancing the loan protects the Bank from loan default and credit collectionmechanismhence it could be taken as a mandatory part of the credit process.

4.5.2 What often follow up mechanism of your customer after granting the loan?

	Frequency	Percent	Cumulative Percent
Monthly	63	63%	63%
Quarterly	30	30%	93%
Suddenly	7	7%	100%
Total	**100**	**100%**	

(Source: own data 2021)

As can be seen from the above table the follow up mechanism ofborrower customers after granting the loan, 63percent of the respondents responded monthly while 30 percent responded after granting loan quarterly, the rest of respondenthaverespondedsuddenly, 7 percent.The statuses of these reports are also viewed and the loans are determined by the head office credit follow up team and complied for the higher officials and the control department monthly.

4.5.3Do you think the credit collection technique used for preventing loan default by your Bank is effective?

	Frequency	Percent	Cumulative Percent
Disagree	67	67%	67%
Agree	33	33%	100%
Total	**100**	**100%**	**100%**

(Source: own data 2021)

According to table 4.5.3, 67 percent of respondents agree that credit collection techniques are successful in preventing loan default by banks, but 33 percent disagree that credit collection techniques are effective in preventing loan default by banks. This indicates that credit collection techniques are ineffective in preventing loan default by banks.Hence to make sure that the collection technique helps in loan default prevention, it should be assured that effective credit collection techniques are employed.

4.5.4Which of the following credit collection techniques are adopted by your Bank?

	Frequency	Percent	Cumulative Percent
Cash or check payment	21	21%	21%
Debiting client account per undertaking	10	10%	31%
All	69	69%	100%
Total	**100**	**100%**	

(Source: own data 2021)

69 percent of respondents agree to all credit collections techniques those are Cash or check payment method, debiting client account per undertaking, personal visit and telephone the rest 21 percent and 10 percent respondent are cash or check payment and debiting client account per undertaking the common use the techniques.

4.5.5 When the borrowers face a certain problem and unable to pay the loan, what mechanism do you follow inorderto collect the loan?

	Frequency	Percent	Cumulative Percent
Extension of the life of the loan	36	36%	36%
Injection of additional loan	29	29%	65%
Rearrangement of loan repayment structure	35	35%	100%
Total	**100**	**100%**	

(Source: own data 2021)

The findings of the study revealed that 36percent of respondents said borrowers face a certain problem and unable to pay the loan the Bank to use injection of additional loan. This means before un paid loan disbursement do not given an anther loan, 36 percent of respondents that for unable to pay loan to use extension of the life of the loan these means the maturity date of loan is then extended by the number of postponed payment. This resulted also matches with Capital news, 2017), the rest 34.6 percent respondents for unpaid loan using rearrangement of loan repayment.This means to change mode ofrepayment but reaching an agreement to payadditional interest to pay.Hence, when borrowers face a certain problem and unable to pay the loan, there are some mechanisms to enable them discharge their commitments.

4.5.6 Which one of the forcing measurements do you think is most effective and convenience

	Frequency	Percent	Cumulative Percent
Foreclosure	45	45%	45%
Court proceeding	7	7%	52%
Both	48	48%	100%
Total	**100**	**100%**	

(Source: own data 2021)

When the 45 percent of respondents responded for unpaid amount loan the forcing measurement both are user those foreclosure and court proceeding.

Table 4.5.7: Causes of nonperforming loan at borrower level?

Item	Response	Rank
What are the major causes of nonperforming loan at Borrower level?	Diversion of the Borrower fund to other purpose	1st
	Lack of proper businesses plan	2nd
	Willful default/ un willingness topay	3rd
	Contingencies at borrower of death sick	4th
	In sufficient credit awareness	5th
	Unwilling customer to Disclose the information required	6th

(Source: own data 2021)

Respondents were also asked to the major cause of nonperforming loan at borrower level in order of importance as ranked from1stto 6th. The results in this regard indicated that 73 percent of respondents ranked diversion of the borrowed fund to otherpurposeas the top ranking factor or stands 1stthis lead tocausing occurrences of nonperforming loans while21percent lack of proper business plan is ranked second factor or stand 2ndplace by of the respondents. Thus Wilful default/unwillingness to pay, Contingencies at borrowers e.g. death, sick,insufficient credit awareness, Unwilling customer to disclose the information required.This holds the lowest percentages which is 6% stands at 3rdplace.

Table4.5.8 Causes of non-performing loan at Bank level?

Item	Response	Rank
What are major cause of NPL at Bank level	Lack of Continuous follow up andproper risk assessment	1st
	Lack of Consultation andCommunication with defaulter	2nd
	Problems associated with loan eligibilitycriteria	3rd
	Mistake on estimation ofcollateral andevaluating the borrower's finical reports	4th
	Lack of sufficient credit informationfrom other commercial Banks	5th

(Source: own data 2021)

From the above table, 54 percent of respondentsaskedlack of continuous follow up and proper risk assessment is the first and the most major cause of nonperforming loan at Bank level. Mistakes on estimating collateral and evaluating the borrower's financial report are followed by the Bank of consultation and contact with defaulters, problems associated with loan eligibility requirements, which are 23 percent accepted for non-repayment of loan and the last 23 percent of respondents for non-repayment of loan are Mistakes on estimating collateral and evaluating the borrower's financial report, and hacking of appropriate credit details from other Commercial Banks.

Table 4.5.9: Causes of nonperforming loan at Economic level?

Item	Response	Rank
What are the major causes of nonperforming loans at Economic level?	Un stable political situation	1st
	Weak economic plan and strategy implementation	2nd
	Change in fiscal andMonetary policies	3rd
	Political Power of the borrower	4th
	Excessive government intervention	5th

(Source: own data 2021)

The above table shows that most of the respondents are considering currently situation repliedbyunstable political situation as a major factorweak economic plan and strategy implementation as a major (1st) cause at economic level. On the other hand, change in fiscal and monetary policies by government could result in high inflationary conditions stands in the 2nd place.

The rest of the respondents said excessive government interventions are the causes of NPL at economic level stands at 3rd.

4.6 Secondary Data Analysis

Table 4.6.1Loan performing of Head office

Year	Actual amount held	Planned	Variation
2016	20,430,059	17,497,116	16.76
2017	74,081,928	54,797,231	35.19
2018	300,068,598	180,459,064	66.28
2019	524,329,595	267,107,127	96.29
2021	924,329,595	667,107,127	84.19
Total	**918,910,180**	**519,860,538**	**298.71**

Source: Annual report of the Bank and own computation, 2021

Loan performance measures the bank efficiency and effectiveness by recording several years of loan collection,disbursement,and annual performance of head office. The loan performance of at head office is increasing from year to year and at the same level increasing the planning. Acordding to Salas and Saurina, (2002) who studied Spanish banks found out that credit growth is associated with non performin loans. Increasing loan from year to year this leads to say the amount of loan used to be granting in the study area as well as in general is not meeting the demand of clients and difficult to repay the loan within one year. Furthermore, the periodic repayment time table of the Bank is very short and not convenient to discharge their responsibility.The bank is create credit portifiolo mangment and effective immpmentation of credit management practise to minimize the risk fellow.

4.7Interview analysis

Accordingly the interviewee’s responses to the questions are depicted briefly as follows. However, most interview responses on the other hand, are presented and analyzed as positive response in the questionnaire review section. Before the response is presented in a summarized way an interview guide line is given asfollow.According to the objective of the research to assess from research question one of two responded by interview on this follow

Generally Perception about Credit Management of the Bankby the interviewees

Most of the respondents have to respondents have respond the same and common altitude in credit management practise of the bank .on the credit process the loan processing and lending function is the centre product of all Banks in general as it contributes the major sharesofrevenue profitability. In other words loans andadvances are knowntobe the main stay of all Banks. They occupy an important part in gross earnings and net profit of the Banks. The strength and soundness of the Banking system primarily depends upon health of the advances. Therefore, in order to promote the lending function to the required level, the Bank should produce and follow up to date, convenient credit policies and procedures to draw potential loan clients in order to create a long-term bilateral bank-borrower partnership.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

The result of the data analyst was presented in the previous chapter. In this section, the findings based on each response have been presented in informative and summarized manner. Each point summarized in the study is believed assess and measure the overall credit management activities of theBank.

5.1 Summary of Findings

5.1.1 Summary of Credit Policy and Procedure

The majority of respondent have agreed about the presence ofoperationalcredit policy and proceduremanual in the Bank.Most of the respondents confirmed that the credit policy and procedure of the Bank is flexible and on average it leads to good customer attraction.The respondents have also witnessed that the credit policy and procedures manual of OIB is stated in a way that comply with NBE’s regulation. The statement shows a practical loan processing and appraisal activities of the district office which is in compliance with its own credit policy and procedure manual.

5.1.1 Summary of Credit Management and Loan Default

Majority of respondents disclosed as they disagree with what is stated on statement of the Bank. Besides, they also affirmed thatthe Bank’s activity overloan monitoring and follow up is not adequate. There also no consistently ensuring of the purpose for which the loans and advances are availed whether they are spent on the intended purpose of the loan request or not.Thestudy has also uncovered thatcollateralizing of loanswereneutraland thesehelp to protect loan against default. As per the annual report of the Bank, there waseffective implementationof loan recovery mechanism to reduce its loan default. However, the respondents indicated that they disagree with the statement that statesCredit control activity of the Bank is sufficient toprevent loan default.

On the other hand, majority of respondent agree on the statement of the Bank continuously makes sure that NPL cases transferredto foreclosure process get timely decision to reduce additional provision expense of the Bank.

The respondents agreed with the statement which states the Bankprepare regular report on selected credit accounts tohelp reduce future failure of loan default. Apart from this, large portion of the respondents have also disagreedwith the statement of Managing the credit approval of the Bank at head office anddistrict level improves the Bank capability of reduction of the Banks NPL.

5.1.3 Summary ofCredit Risk Management

Majority of respondents strongly agreed that the loan portfolio of the Bankhas a mix of investment in different sectors of the economy. Having such diversified loan portfolio helps the Bank in diversification of risk. Equivalent portion of respondents also believe that the Bank has preset concentration limits in every sector. Most the respondents disagreedwith the statement that dictates about theBank'squick response to market changes.They argued that thepersonalized financial interests that existbetween the borrower and the Bank official leads to loan default risks. Similarly, they disagreedwith the statement which states the Bank credit risk management procedure enable staffs to identify major credit risk factors.

5.1.4 Summary ofMonitoring and Control of Credit

Majority of respondents agreed that the Collateral estimation is regularly assessed and related to applicant's financial health. However, Respondents the Bank does not conduct pre audit before fund has been released to the applicant's account. The same portion of respondents was neutral about the Bank'spreparation of periodic credit reports for signalling loan loss in any portfolio.
They were alsoneural regarding the query about Customers are given sufficient advice on the usage of loans.

Summary ofCredit Creation

Related tocredit creation respondents agreed that theBank's credit processis completed within less than 7 working days even if there is no clean basis loan.Loans and advances are not extended to customers unless adequate collateral is pledged prior to the loan disbursement. Furthermore, the more there is positive relationship with borrowers (loan customers having good track of loan record or profile with the bank, the more will be the Bank's appetite in advancing even a clean base loan. credit offering are made more by approaching credit worthy client or new customer having unspoiled credit history with other banks.

Summary of Credit collection and follow up

Regarding credit collection and follow up, therespondent'sforwarded positive responseto the statements that any follow up mechanism of your customer after granting the loan and this follow up mechanism of the loan required by monthly basis or not. However, they believe that there was inadequacy in providing monitoring and consultancy and partnering service the bank's loan customers. As a result of inadequate monitoring, they believe that thecredit collection and follow up the Bankdoes not grant the Bank from loan default effectively.They also added regarding the Bank credit collection technique that there are cash payments,check payment and debiting ofclient'saccount at the time of maturity based on the contract terms and conditions.

During situation where the loan customers face challenges in loan repayments, the customers have a room for loan negotiation. However, the problem faced shall be certainwhich can be substantiated with evidence. Such loan re-negotiations are also subject to additional fees and charges so as to discourage the customer from doing same actions. Re-negotiation is all about extension of the life of the lion, secondly re arrangement of loan repayment structure or the last used injection of additional loanwhen the customers are unable to pay as per the original contract terms and conditions. This enables the loan customers to get favourable condition to repay the loan back to the Bankafter getting some grace period.

The major factor leading to non-performing loan was the borrower'sdiversions of the funds end useother purpose than intended usage. Besides, absenceproper risk assessment, inadequacy of continuous and consistent monitoring and follow up was enumerated as the major triggering conduction for the rate of recurrence of non-performing loan at Bank wide level.The major reason for non-performing loan at economic level was current politicalinstability.

5.2 Conclusion

The study uncovered that having credit policy and proceduremanual in the bank for loan processing was taken as positive side. It was witnessed that credit policy and procedure manual was more flexible which favours the Bank to attract and retain credit clientsand goodadministration. The manual is also devised in a way it complies with the regulatory require of NBE.

Regarding creditmanagement and loan default practice, it is uncovered thatthere is negative perception among respondents thatthe Bankdoes not maintained adequate follow up and monitoring over the loans and advancesavailedto borrowers to confirm the end-use where the customers are actually spending.Credit control activity of the Bank is not sufficient to prevent loan default.The Bank’s regular report on selected credit account has not appeared to help reduce future failure of loan default.Managing thecredit analysis, appraisal and approvalprocess at the Ban’s head office and district level wasnot serving to improve the Bank’s capability of reduction of the NPL.

Collateralizationand backing of loansand advances with sufficientcollateral(safety) is helping the Bank to protect (secure) from incidents of losses due to loan defaults. This aids in minimizing the risk of the lender and protect the Bank from unforeseen credit risks.Furthermore, the loan recovery mechanism of the Bank is not sufficiently implemented to reduce loan default.The NPL cases that are transferred to foreclosure process get timely decision to reduces additional provision expense and reduce the loan default.

The Bank is not prepares regular report on selected credit accounts to help reduce future failure of loan default. Credit risk management to minimize the credit risk theBank to use loan portfolio is invested in different sector of economy this to reduce credit risk, collateral estimation assed regularly to keep financial health and preset concentration of credit limit for different sector of economy.

There was no practice of undertaking pre audit before fund disbursements of loans and advances to clients which obscures the getting of sufficient awareness over credit usage.TheBank’s average standard time interval for processingindividual loan and making it ready for decision makings cost below 7 days.

The findings of the study revealed that there was periodiccollection of repayments and follow up even ifmonitoring made over the Bank’s collection mechanism was not sufficient. The credit collection techniques adopted bythe Bankwere Cash payments, check payment and Debiting client account based on their consent obtainedthrough undertaking letters.

During situation where the loan customers face challenges in loan repayments, the customers have a room for loan negotiation. However, the problem faced shall be certain which can be substantiated with evidence. Such loan re-negotiations are also subject to additional fees and charges so as to discourage the customer from doing same actions. Re-negotiation is all about extension of the life of the lion, secondly re arrangement of loan repayment structure or the last used injection of additional loanwhen the customers are unable to pay as per the original contract terms and conditions. This enables the loan customers to get favourable condition to repay the loan back to the Bankafter getting some grace period.

The major factor leading to non-performing loan was the borrower's diversions of the funds end useother purpose than intended usage. Besidesabsence of proper risk assessment, inadequacy of continuous and consistent monitoring and follow up was enumerated as the major triggering conduction for the rate of recurrence of non-performing loan at Bank wide level. The major reason for non-performing loan at economic level was current political instability.

5.3 Recommendations

The following recommendations are forwardedbased on the findings of the study and conclusions drawn thereon:

- ✓ The Bank should be adequacy of proper monitoring and follow up over the overall credit processing activity toensure the timely repayment of loan.
- ✓ The Bankshould exercise appropriate KYCand CDD for proper customer selection, recruitment and retention. This aids in ensuring selection of right type of loan proposal and right type of borrowers.
- ✓ The Bank should make sure that there is adequate post sales service (after loan disbursement monitoring) and customer partnering as well as consultancy to maintain sustainable and long lasting relationship customers, then to grow together.
- ✓ The bank should provide loan advisory service because it helps to improve the loan collection performance.
- ✓ Training about credit analysis should be given by the bank to the employees because it is one of the important mechanisms to upgrade the performance and skill of employees. It also helps to minimize the balance of NPL.
- ✓ The bank should make efficient credit analysis by observing the financial performance of the borrower and the profitability rate of the loan applicant. This kind of analysis helps the bank to increase its income and profitability.

- ✓ The bank should make loan rescheduling to the customers based on the detail assessment, strong justification and convincing cases are presented to the bank.
- ✓ Management need to ensure that borrowed funds are being used for the intended purpose through enhanced credit monitoring.

Finally, future researchers are recommended to conduct an advanced survey in this topic by considering selected commercial banks credit management practice in country wide level.

APPENDIX: RESEARCH QUESTIONNAIRE

ADDIS ABABA UNIVERSITY

FACULTY OF BUSINESS AND ECONOMICS

MSC PROGRAM IN ACCOUNTING AND FINANCE

Questionnaire to be filled by Employees of OromiaInternational Bank S.C

Dear respondents:

The objective of this questionnaire is to secure the necessary and relevant firsthand information that may be helpful to conduct a research on the topic of "**Assessment Of Credit Management Practices at Oromia International Bank**" in partial fulfilment of the requirement for MSc in Accounting and Finance.

I hereby kindly request you to attempt all the questions in the questionnaire to help me meet the aim of the study. What so ever information is provided by your ends, it will be treated confidentially and rest assured that it will to be used for academic purposeonly. You are not expected to write your names.

Thank you in advance!

PART I: GENERAL INFORMATION(Please put a tick **(** √**)** mark on the appropriate)

1. Gender
   - ☐ Male
   - ☐ Female
2. Age
   - ☐ 20-30 years

- ☐ 31 -40 years
- ☐ 41 -50 years
- ☐ above 50 years

3. Marital status

- ☐ Single
- ☐ Married

4. Educational back ground

- ☐ Diploma
- ☐ Degree
- ☐ Masters
- ☐ PhD and above

5. Current position

- ☐ Managerial
- ☐ Professional
- ☐ clerical

6. Credit related experience within the bank

- ☐ 1-5 years
- ☐ 5-10 years
- ☐ above 10 years

PART II: Questions on Credit Management and Practice

A. Policy and procedures

7. Do you have a credit manual or policy?
   - ☐ Agree
   - ☐ Disagree
8. If your answer to Q number.7 is "Yes" when was the manual or policy revised?

   ____

9. How can you see your institution's credit policy and procedures?
   - ☐ Rigid
   - ☐ Flexible
   - ☐ Average
10. Do the policies and procedures exactly comply with regulations of national bank?
    - ☐ Agree
    - ☐ Disagree
11. If your answer to Q number 10 is "No", please specify the gaps

    ____

    ____

12. Does the practical loan processing and appraisal activities of the district offices comply with the bank credit policy and procedures?

- Agree
- Disagree

B. Credit management and loan default

Please respond to the following statements by indicating the extent to which you agree or disagree.

Scale:

5= Strongly Agree

4= Agree

3= Uncertain

2= Disagree

1= Strongly Disagree

	Items	5	4	3	2	1
13.	The bank makes proper follow up on the loans availed whether they are spent on the actual purpose of the loan requested.					
14.	Collateralizing of loans help to protect loan default.					
15.	The bank effectively implements its loan recovery mechanism to reduce its loan default.					
16.	Credit control activity of the bank is sufficient to prevent loan default.					
17.	The bank continuously makes sure that NPL cases transferred to foreclosure process get timely decision to reduce additional provision expense of the bank.					
18.	The bank prepares regular report on selected credit accounts to help reduce future failure of loan default.					
19	Managing the credit approval of the Bank at head office and district level improves the Bank capability of reduction of the Banks NPL					

C. Credit Risk management

	Items	5	4	3	2	1
20.	The loan portfolio is invested in different sectors of the economy					
21.	the bank loan portfolio concentrates in particular sectors of the economy					
22.	The bank has pre-set concentration limits in every sector					
23.	The bank quickly responds to market changes					
24.	Financial interest between the borrower and the bank official leads to loan default risks.					

25.	The bank credit risk management procedure enables staffs to identify major credit risks.					

D. Monitoring and control of credit

	Items	5	4	3	2	1
25.	Collateral estimation regularly assessed & related to applicants' financial health					
26.	The bank pre audit before fund has been released to the applicant					
27.	The bank periodically prepare credit quality reports for signalling loan loss in any portfolio					
28.	Customers are given sufficient advice on the usage of loans.					

E. Credit creation and procedure

29. How long will it take to process a given loan application?
    - ☐ Below 7 days
    - ☐ 14 days
    - ☐ 15 – 21 days
    - ☐ 22 – 30 days
    - ☐ Above 30 days
30. Are there loans, which are granted without taking collaterals?
    - ☐ Yes
    - ☐ No
31. If your answer to Q no, 27 is "Yes", would you explain how?

    ____

    ____

32. Most of your current loan is created
    - ☐ By approaching promoted clients
    - ☐ By clients approached with request

F. Credit collection and follow up

33. Do you have any follow up mechanism of your customers after granting the loan?
    - ☐ Yes
    - ☐ No
34. If your answer for Q no, 30 is "Yes", how often?
    - ☐ Monthly
    - ☐ Quarterly
    - ☐ Annually
    - ☐ Suddenly
35. Do you think the credit collection technique used by your bank is effective?
    - ☐ Yes
    - ☐ No
36. If your answer to Q no 32 is "No", please specify the appropriate technique/s/ that you think is best?

____

____

37. Which of the following credit collection techniques are adopted by your bank?
    - ☐ Cash/check payment
    - ☐ Debiting client account per pre undertaking
    - ☐ Using collection agency
    - ☐ Personal visit
    - ☐ Telephone
    - ☐ All
38. When the borrowers face a certain problem and unable to pay the loan, what mechanism do you apply in order to collect the loan?
    - ☐ Extension of the life of the loan
    - ☐ Injection of additional loan
    - ☐ Rearrangement of loan repayment structure
    - ☐ Others, (specify) __________________________
39. What measure are taken by the bank to enforce repayment, if what mention on Q 35 is not effective to collect the loan
    - ☐ Foreclosure
    - ☐ Court proceedings
    - ☐ Others, (specify) ____
40. Which one of the forcing measurements do you think is most effective and convenience?
    - ☐ Foreclosure
    - ☐ Court proceeding
    - ☐ Both
41. What are the major causes of nonperforming loans at borrower level?(Please rank them)

	Lack of proper business plan
	Contingencies at borrowers e.g. death, sick
	Diversion of the borrower fund to other purpose
	Insufficient credit awareness
	Unwilling customer to disclose the information required
	Wilful default/unwillingness to pay

42. What are the major causes of nonperforming loans at Bank level?(Please rank them)

	Lack of continuous follow up and proper risk assessment
	Lack of consultation and communication with defaulter
	Lack of sufficient credit information from other commercial banks
	Mistake on estimation of collateral and evaluating the borrowers' financial reports
	Problems associated with loan eligibility criteria

43. What are the major causes of nonperforming loans at economic level? (Please rank them)

	Unstable political situation
	Excessive government intervention
	Political power of the borrower
	Weak economic plan and strategy implementation
	Change in fiscal and monetary policies

44. Would you please specify the major credit problems you assume?
____
____
____

45. For the problem/s/ that you mentioned above, please list out all the possible and better solution/s/ that can improve the credit management system of your bank
____
____
____
____
____

Thanks for Your Time!

REFERENCES

Abd Karim, M. Z., Chan, S. G., & Hassan, S. (2010). Bank efficiency and non-performing loans: Evidence from Malaysia and Singapore. Prague Economic Papers, 2(1).

Abdou, H. A., &Pointon, J. (2011). Credit scoring, statistical techniques and evaluation criteria: a review of the literature. Intelligent systems in accounting, finance and management, 18(2-3), 59-88.

Adam, M. H. M. (2014). Evaluating the Financial Performance of Banks using financial ratios-A case study of Erbil Bank for Investment and Finance. European Journal of Accounting Auditing and Finance Research, 2(6), 162-177.

Ahiable, E. Y. (2012). An Assessment of Credit Management Practices at Agricultural Development Bank (ADB) Branches in the Eastern Region of Ghana (Doctoral dissertation).

Ahmad, A. U. F., & Hassan, M. K. (2007).Regulation and performance of Islamic banking in Bangladesh. Thunderbird International Business Review, 49(2), 251-277.

Alemarga, E., Tekalign, H., &Abera, N. (2014). Assessment of credit management policy and practice-the case of Dashen Bank SC (Doctoral dissertation, St. Mary's University).

Apanga, M. A. N., Appiah, K. O., & Arthur, J. (2016). Credit risk management of Ghanaian listed banks. International Journal of Law and Management.

Asenova, D., & Beck, M. (2003). The UK financial sector and risk management in PFI projects: a survey. Public Money and Management, 23(3), 195-202.

AtlAbAchew, S., GideY, Y., &Legesse, M. (2014). An assessment of credit management practices in DashEn Bank (Doctoral dissertation, St. Mary's University).

Beck, T., Behr, P., &Guettler, A. (2013). Gender and banking: are women better loan officers?. Review of Finance, 17(4), 1279-1321.

Belayneh, T., & Degu, Y. (2014). An Assessment of Credit Management in the Case of Awash International Bank (Head Quarter) (Doctoral Dissertation, St. Mary's University).

Bhattarai, Y. R. (2016). Effect of credit risk on the performance of Nepalese commercial banks. NRB Economic Review, 28(1), 41-64.

Birchall, J., &Ketilson, L. H. (2009). Resilience of the cooperative business model in times of crisis. International Labour Organisation.

Bodenhorn, H. (2002). State banking in early America: A new economic history. Oxford University Press.

Bos, M., Carter, S. P., &Skiba, P. M. (2018). Balancing act: new evidence and a discussion of the theory on the rationality and behavioral anomalies of choice in credit markets. In Research Handbook on Behavioral Law and Economics. Edward Elgar Publishing.

Brown, K., & Moles, P. (2014). Credit risk management. K. Brown & P. Moles, Credit Risk Management, 16.

Chane, A. (2016). Assessment of Credit Management Practice In Commercial Bank of Ethiopia (Doctoral Dissertation, St. Mary’s University).

Chick, D. (2018). The impact of credit management on the financial performance of microfinance institution.
Chilukuri, S., & Rao, K. S. (2014). Effective Credit Approval and Appraisal System: Loan Review Mechanism of Commercial Banks. International Journal of Innovative Research and Development, 3(12), 267-274.
Crosbie, P., & Bohn, J. (2019). Modeling default risk. In World Scientific Reference on Contingent Claims Analysis in Corporate Finance: Volume 2: Corporate Debt Valuation with CCA (pp. 471-506).
DeYoung, R., Gron, A., Torna, G., & Winton, A. (2015). Risk overhang and loan portfolio decisions: Small business loan supply before and during the financial crisis. The Journal of Finance, 70(6), 2451-2488.
Disemadi, H. S. (2019). Risk Management In The Provision Of People's Business Credit As Implementation Of Prudential Principles. Diponegoro Law Review, 4(2), 194-208.
Dragomir, L. (2010). European prudential banking regulation and supervision: the legal dimension. Routledge.
Duga, H. (2020). He Assessment of Credit Risk Management Practice: The Case OfWegagen Bank Sc (Doctoral Dissertation, St. Mary's University).
Eskinder, B. (2016). "Assessment on Loan and Advance Management" the Case in Some Selected Private Banks of Ethiopia (Doctoral Dissertation, St. Mary's University).
Essendi, L. K. (2013). The effect of credit risk management on loans portfolio among Saccos in Kenya (Doctoral dissertation, University of Nairobi).
Gatimu, E. M. (2014). Assessing institutional factors contributing to loan defaulting in microfinance institutions in Kenya (Doctoral dissertation, Egerton University).
Golin, J., &Delhaise, P. (2013). The bank credit analysis handbook: a guide for analysts, bankers and investors. John Wiley & Sons.
Hagos, M. (2010). Credit Management: A Case Study of Wegagen Bank Share Company in Tigray Region (Doctoral dissertation, Mekelle University).
Hassan, K. (2002). The microfinance revolution and the Grameen Bank experience in Bangladesh. Blackwell.
Immergluck, D. (2016). Credit to the Community: Community Reinvestment and Fair Lending Policy in the United States: Community Reinvestment and Fair Lending Policy in the United States. Routledge.
Jahin, S. Y. (2018). Credit Risk Management System Of IPDC Finance Ltd.
Jiménez, G., Ongena, S., Peydró, J. L., &Saurina, J. (2012). Credit supply and monetary policy: Identifying the bank balance-sheet channel with loan applications. American Economic Review, 102(5), 2301-26.
Jo, H., Kim, H., & Park, K. (2015). Corporate environmental responsibility and firm performance in the financial services sector. Journal of business ethics, 131(2), 257-284.

Kamau, S. I. (2015). Effect of credit management practices on financial performance of savings and credit cooperative societies in the Hospitality Industry in Nairobi (Doctoral dissertation, University of Nairobi).

Kithinji, A. M. (2010). Credit risk management and profitability of commercial banks in Kenya.

Krznar, M. I., &Morsink, M. J. (2014). With great power comes great responsibility: Macroprudential tools at work in Canada. International Monetary Fund.

Lagat, F. K., Mugo, R., &Otuya, R. (2013). Effect of credit risk management practices on lending portfolio among savings and credit cooperatives in Kenya.

Lin, C., Ma, Y., Malatesta, P., & Xuan, Y. (2011). Ownership structure and the cost of corporate borrowing. Journal of Financial Economics, 100(1), 1-23.

McKinnon, R. I. (2010). Money and capital in economic development. Brookings Institution Press.

Mekonnen, A. (2019). Assessment of Credit Management Practice; the Case of Development Bank of Ethiopia (Doctoral Dissertation, St. Mary's University).

Mekonnen, S. (2018). An Assessment of Credit Management Practices: In The Case of Bank of Abyssinia Sc (Doctoral Dissertation, St. Mary's University).

Mirshekary, S., &Saudagaran, S. M. (2005). Perceptions and characteristics of financial statement users in developing countries: Evidence from Iran. Journal of International Accounting, Auditing and Taxation, 14(1), 33-54.

Mizen, P. (2008). The credit crunch of 2007-2008: a discussion of the background, market reactions, and policy responses. Federal Reserve Bank of St. Louis Review, 90(September/October 2008).

Moges, M. (2016). Assessment of Credit Risk Management (A Case Study of Commercial Bank of Ethiopia) (Doctoral dissertation, St. Mary's University).

Mujere, N. (2016). Sampling in research. In Mixed methods research for improved scientific study (pp. 107-121). IGI Global.

Mutuota, L. W. (2013). An Assessment of Credit Management Capability among Microfinance Institutions in Kenya (Doctoral dissertation, United States International University-Africa).

Mwangi, G. N. (2012). The effect of credit risk management on the financial performance of commercial banks in Kenya (Doctoral dissertation).

Ngare, E. (2008). A Survey on Crkdit Risk Management Practices by Com Mi-R< IAL Banks in Kenya (Doctoral dissertation, University of Nairobi).

Ngari, J. M. K., &Muiruri, J. K. (2014). Effects of financial innovations on the financial performance of commercial banks in Kenya.

Njanike, K. (2009). The impact of effective credit risk management on bank survival. Annals of the University of Petroşani, Economics, 9(2), 173-184.

Nyasaka, F. O. (2017). The relationship between credit risk management practices and non-performing loans in Kenyan commercial banks: A case study of KCB group limited (Doctoral dissertation, United States International University-Africa).

Nyong'o, J. N. (2014). The relationship between credit risk management and Non-performing loans in commercial banks in Kenya (Doctoral dissertation, University of Nairobi).

Odonkor, A. A. (2018). An Assessment of Credit Risk Management Practices of Adansi Rural Bank Limited. International Journal of Economics and Finance, 10(11), 110-110.
Oludhe, J. (2011). The impact of credit risk management on financial performance of commercial banks in Kenya (Doctoral dissertation).
Omboto, L. O., &Ombaba Kennedy, B. (2019). Mwe Ownership of Commercial Banks in Nairobi City. Management, 4(2), 21-33.
Pasha, S. A., &Mintesinot, B. (2017). Assessment of credit risk management system in Ethiopian banking. International Journal of Business and Management Invention, 6(4), 98-110.
Pearson, S. (2016). Building brands directly: creating business value from customer relationships. Springer.
Pulley, R. V. (1989). Making the poor credit worthy. World Bank discussion paper, 58.
Rahman, S. (2011). Credit risk management practices in Banks: An appreciation. Journal of Islamic Economics, Banking and Finance, 113(453), 1-26.
Saunders, A. (2014). Financial institutions management. Macmillan Press.
Seifu, G. (2017). Impact of Bank Marketing Factors on Nonperforming Loans in Ethiopian Banking Industry (Doctoral dissertation, St. Mary's University).
Semu, A., Tesfaye, A., &Kebede, M. (2014). An Assessment Of The Causes Of Non Performing Loans In The Case Of Wegagen Bank Sc (Doctoral Dissertation, St. Mary's University).
Seudib, E. N., Dassah, F. T., &Adjei, S. K. Extenuating Loans Non-Performance, Best Practice Perspective of Banks in Bono East of Ghana.
Seyoum, A., Nigussie, H., &Tesfay, T. (2016). Factors affecting non-performing loans: case study on development bank of Ethiopia central region.
Siddiqi, N. (2012). Credit risk scorecards: developing and implementing intelligent credit scoring (Vol. 3). John Wiley & Sons.
Swanton, T. B., Gainsbury, S. M., &Blaszczynski, A. (2019). The role of financial institutions in gambling. International Gambling Studies, 19(3), 377-398.
Taiwo, J. N., Ucheaga, E. G., Achugamonu, B. U., Adetiloye, K., Okoye, O., &Agwu, P. E. (2017). Credit risk management: Implications on bank performance and lending growth. Saudi Journal of Business and Management Studies, 2, 584-590.
Teshome, D. (2010). Non-performing Loan and Its Management in Ethiopia: A case study on Dashen Bank Mekelle Area Bank, in Tigray (Doctoral dissertation, Mekelle University).
Treacy, W. F., & Carey, M. (2000). Credit risk rating systems at large US banks. Journal of Banking & Finance, 24(1-2), 167-201.
Trevino, L. K., & Nelson, K. A. (2021). Managing business ethics: Straight talk about how to do it right. John Wiley & Sons.
Turkanović, M., Hölbl, M., Košič, K., Heričko, M., &Kamišalić, A. (2018). EduCTX: A blockchain-based higher education credit platform. IEEE access, 6, 5112-5127.
Werner, R. A. (2016). A lost century in economics: Three theories of banking and the conclusive evidence. International Review of Financial Analysis, 46, 361-379.

Zerga, F. (2016). Assessment Of Credit Risk Management In Nib International Bank Sc (Doctoral Dissertation, St. Mary's University).