



St. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
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DEPARTEMENT OF MBA IN ACCOUNTING AND FINANCE

Assessment on Loan and Advances in bank of Abyssinia
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ID NO SGS/ 0029/2007

**Submitted in Partial Fulfillment of the Requirement of for the Degree of Master in
Accounting and Finance**

Submitted To:-

Asmamaw Getie (Asst. Prof.)

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DECLARATION

Under signed assertion that this thesis titled assessment on Loan and Advances bank of Abyssinia is my original work prepared under the guidance or advisor of Asmamaw Getie (Asst. Prof). All sources of materials used for the manuscript have been acknowledged.

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Signature -----

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LIST OF ABBREVIATIONS AND ACRONYMS

AB	Abay bank
Acct Lcy	Account local currency
ADIB	Addis international bank
AIB	Awash international bank
ATM	Automated Teller Machine
BBI	Bunna international bank
BIB	Birhan international bank
BoA	Bank of Abyssinia
BOA	Bank of Abyssinia
BOD	Board of Directors
BOD	Board of directors
CBE	Commercial Bank of Ethiopia
CBO	Cooperative bank of Oromia
CEO	Chief executive officer
CM	Credit Manuals
Contribprov.fund-	contributed provident fund
CRM	Customer relationship manager
DB	Dashen Bank
DBE	Development Bank of Ethiopia
DD NR FCY	demand deposit non residence foreign currency
DGB	Debab global bank
Dom.banks	domestic banks
EB	Enat bank
Eff.	effect
Fcy	foreign currency
FIN. INST	financial instruments
G/L	General Ledger
HO	head office
IC	Internal control
Intsusp	interest suspended
Int. rec	interest receivables

LIB Lion international bank

MGT Management

NBE National Bank of Ethiopia

NIBNib International Bank

NPL Nonperformance Loan

O/L Outstanding Loan

OIB Oromia International Bank

P/L Profit and Loss

Pers.lns personal loans

SP/SA special savings accounts

UB United Bank

V/P Vice President

WB WegagenBank

ABSTRACT

This research aimed at finding out why the performance of loan and advance of the bank of Abyssinia stands below from other peers Ethiopian Private Banks, as a case study, in addition to this, the research tried to investigate major challenges encountered at the approval process. This research is conducted with sample of 128 employees, customers and 110 financial statements includes data from 2012 to 2016. This thesis also strives to analyze the level of correlation between selected total assets and deposits factors on the banks loan and advances in BoA; the study found lending practices, lack of focused loan monitoring and follow-up, estimation of collaterals terms and conditions system suspense, and weak customer and bank relationship as the major factors that contribute to loan default. Thus, it is suggested that banks should put in place a vibrant credit process under the NBE standard that ensures proper customer selection, satisfaction, robust credit analysis, proactive monitoring, ethical standards, and prudent application of polices that govern bank loans. The findings highlight in case of the NBE standard result shows properly implemented, and there is some management problems on the process, whereas, there is significant relationship between loan and advances and total assets and deposit of the bank, there is a positive relationship between the variables

Key words: Total assets, total deposits, Nonperforming Loans (NPLs); Credit Analysis, Credit Process, system suspense, default loan

CHAPTER ONE

1.1 Back Ground of the Study

Today's organization is predominantly dynamic as it possess large opportunities and challenges to the corporate practitioners and policy makers, the understanding that such dynamism is very crucial to pursue the organizational strategic objectives (Osibanji, Adeniji, 2013).

The issue of loan default is related with non-recovery/repayment of loans. When a borrower cannot repay interest and/or installment on a loan after it has become due, then it is qualified as defaulted loan or non-performing loan (Chowdhury & Adhikary, 2002). It is known as non-performing loan, because the loan ceases to perform or generate income for the bank. The defaulted /non-performing loan is not a "uniclass" rather a "multiclass" concept. It implies that the defaulted /NPLs can be classified into three different categories, usually based on the "length of overdue" of the said loan (Gebru, 2015).

We can see that the financial crises have brought attention for today's debate of corporate governance issue as well. One of which is loan and advances form a greater portion of the total assets in banks. These assets generate huge interest income for banks. This to a large extent determines the financial performance of the banks. However, some of these loans usually fall in to non-performing status and adversely affect the performance of banks it is widely accepted that main dynamism, opportunities and challenges were quantity or percentage of non-performing loans, is often associated with bank failures and financial crises (Fofack, 2005; Hu, 2006). In fact, there is abundant evidence that the financial /banking crises in bank of Abyssinia in the previous years (BoA, 2015), Commercial banks are the Dominant financial institutions in the most economies (Rose, 1997); (Greening and Bratanovic, 2003), argue that commercial banks play critical role to emerging economies where most borrowers have no access to capital markets. Well-functioning commercial banks accelerate economic progress and aggravate poverty (Barth et.al, 2001; Khan and Senhadji, 2001, as cited in Richard,2011).

There have been researches in literature to explore the effects of loan and advances process on various organizational performance under the loan process were preceded by high NPLs. the previous global financial crises, which is originated in the USA, was also attributed to the rapid defaulted of sub-prime loans/ mortgages. In views of reality, it is therefore understandable why much emphasis is placed on NPLs when examining financial vulnerabilities (Alton, R. and S., Hanzen, 2001).

It is known that year end results of a bank are determined by, among others, the quality of its assets, one of which is loan and advances. Through proper selection and analysis of credit customers have a sizable part, timely and organized follow up efforts are tool to control deterioration of a credit quality (BoA, 2015).

With the effort made by all concerned stakeholders, the bank has managed to close its year end results and position with acceptable NPL both to the bank target as well as the central bank, and consequently had a favorable effect on the last year's financial statement figure. Following the June 30, 2015, closing period through, the NPL position is rapidly lifting up and even surpassed the minimum requirements or limit set in this regard by the regulatory body. Therefore, it calls for uninterrupted follow up efforts towards the fulfillment of periodic repayments and settlements of loan and advances due to be acted on. The issue of non-performing loan and advances (NPLS) has gained increasing attentions in the last few decades. The immediate consequence of large amount of NPLs in the banking system is bank failure. Many researches on the causes of bank failures (Demirguc-Kant,1998; Barr and Siems, 1994), found that asset quality is a statistically significant predictor of insolvency, and that failing banking institutions always have high level of NPLs prior to failure(Gebru,2015).

it is also known that as of October, 31, 2015/2016 the NPL position of the bank has increased partly because of implementation of the new system module accordingly in addition to acting up on reducing the bad loan portfolio, all branches as of October 31, 2016/2017 budget year also are expected to rectify any discrepancies created over the period of transition from the old legacy system or manual system to the sophisticated T-24. This will be include making proper adjustments to exclude those loans which were not supposed to be classified NPLs category and include those loans which have to be categorized as such but were not due to system problems.

According to the International Monetary Fund (IMF, 2009),NPL is any loan in which interest and principal payments are overdue for 90 days or more, on the other hand the (Basel Committee, 2001), puts NPLs as loans left unpaid for a period of 90 days. Therefore , NPLs, refer to those as financial assets from which banks no longer receive interest or installment payments as scheduled (Alton, R. and S., Hanzen,2001).

Now all branches of the BoA as well as relationship managers are highly expected to give a prior concern to manage the NPL position applying the required steps. Further, all should direct NPL cases to the work out division on timely bases. Should the tangible efforts bring no results the credit policy /procedure of the bank (BoA, 2015).

The issue about loan and advances became more prominent in recent years as a result of corporate scandals, and misconduct of executives, firms, board members and executives have been subject to criminal and civil actions over hidden debt, inflated earnings, insider trading, and misuse of funds and breaches of fiduciary duties. Firms such as financial institutions, and banks became well-known because of huge failures in governance. In addition to the scandals, nowadays, there are financial crisis have brought attention for today's debate of corporate governance issue as well (Rahel and Serkalem, 2010).

when came to the BoA, established on february15, 1996, 90years to the day after the now defunct but historical bank of Abyssinia was officially established by Emperor Minelik II public

share subscription were floated for only one day on the stock markets of Addis Ababa, New York, Paris, London, Vienna, Berlin and Cairo. The new BoA, had of course, a humble beginning, in that its shareholders numbered only 131, authorized and paid up capital was 50 million and 17.8million 32 staffs meanwhile, during the stated period the bank exerted unreserved efforts to scale up its customer base and the resource it mobilizes. To this effect, the amount of deposit mobilized stood at birr 12.5billion, each paid up capital of birr 1.5 billion each paid up capital of birr 1.1billion, number of shareholders 1,680, over 3,856 employees, a single borrower limit of birr 375 million, a total of branches over 187, the number of deposit account holders reached over 527,441, the foreign currency mobilized during the stated period also reached birr 5.02billion recording growth over the corresponding last years.

The bank loan and advances went up to birr 7.65 billion as of June 30, 2014 the bank also managed to contain the level of its NPL at 2.7%, the total assets and capital of the bank also went up to birr 13.7billion and birr 1.6, 1.81billion respectively, the bank secured a total income of birr 1.21billion registering annual growth of birr 194.24 million but incurred a total expense of birr .83 billion , the gross profit before tax came out to birr 373.96 million surpassing that of the preceding fiscal year. The services and products the bank as follows; Savings accounts, demand deposit, special savings, a young targeted savings program gifted saving accounts, SALCA, facilities of funds transfer from savings accounts to current account, mobile banking, agent banking , international transfer banking, SMS, ATM, its goal and aspirations; vision , to be the bank of choice for customers, employees and shareholders, to be provide customer focused financial services through competent, motivated employees and modern technology in order to maximize value to all stakeholders, core values; putting customers first, being honest and accountable, committed to excellence, working together as a team, caring for the community (BoA, 2015).

1.2 STATEMENT OF THE PROBLEM

Assessing the attitudes of the loan and advances, it is widely accepted that the quantity credit management practices, loan performance, credit recovery management, and every credit determinant factors of risk management (Rajyasabha, 2000), argue that all the problems described above are the issue of credit department, is often associated with bank failures and financial crises. The survival of the bank is a question for all banks, for instances; Lending is not an easy task for banks because it creates a big problem which is called NPLs (Chhimpa J, 2002, as cited in Upal, 2009). Due to the nature of their business, commercial banks expose themselves to the risks of default from borrowers maintained that the magnitude of the total bad debts of Ethiopia's banking system had reached the staggering sum of huge billion birr (Gebru, 2015).

It is also worth mentioning the commercial banks presently claim to maintain their NPLs to a Minimum despite the reported frightening figures. Private Bank performance in loan and advance among commercial banks during 2015 reports reveals as follows, in millions of birr; AIB- 12,482, DB- 11,479, NIB- 7,000, WB- 6,170, UB- 6,860, CBO- 6,619, BoA- 5,992. The bank of Abyssinia stands in the 7 places. Its gross profit among peer groups in millions of birr, AIB- 869.8, DB- 964.2, WB- 454.2, CBO- 603.9, NIB- 441.6, BoA- 371.4, UB- 370.4, and in March, 2015 NPL ratio excluding NBE bills was 5.41%, it is more than NBE Standard which is 5% only. This attracts the interest of the researcher to investigate or assess what is behind this huge amount difference, and poorly managed practices of the bank. Because boA is Peer 1 group bank in the industry (BoA, 2015).

An absolute amount of non-performing loans (NPLs) has gained increasing attentions in the last few decades. The immediate consequence of large amount of NPLs in the banking system is bank failure, (Waweru and Kalami, 2009). Many researches on the cause of bank failures in loans arrears for an economy was frightening enough and when the bad debt figure is seen in relative terms, it may drive the faint hearted to despair if reports of an up to 40 percent bad debts/loans ratio for at least and up to 14 percent for either of the private banks were true. The question, however, is if the rate in the domestic banking system had reached such a frightening level, is a paradox that triggered the researcher to take in the study at the outset. Anything above a 5 percent bad debts ratio would stir financial panic (Gebru, 2015).

In between July, 2013 and 2012 the bank performance indicates that all the disbursement amount of loan and advances based on different categories, was 2,268.43 and 2,202.9 respectively. But the collection amount was 1,829.16 and 2,057.30 in millions birr. Which means that the bank paid more and collected less it leads the performance of the loan of the bank defaulted and became under the NBE standards (BoA, 2015).

The deteriorating and soaring non-performing loan (NPL) and the number of errors in loan accounts at the branch level are indicative of unsatisfactory performance, it can be understood that customers are not properly communicated on their due payments, branch officials don't timely review their respective general ledger position to monitor probable errors and most

branches are unaware of existing errors in their loan accounts (BoA, 2015).

1.3 RESEARCH QUESTIONS

Based on research statements of the problem the researcher raises the following research questions based on the survey and respondents feedback;

- Does the bank loan and advance approval and selection process keeps the NBE standards?
- Does the increment of loan and advances increase the total assets of the bank?
- Does the increment of loan and advance increase of the total deposit of the bank?
- Did the branch officers processes the loan and advances on timely and efficiently?

1.4. Research Hypothesis

Hence hypothesis deals with an explanation of something previously unknown. It need some form of investigative process and the research to be acceptable by the others; it must be able to apply the same procedure to get similar outcomes (Gravetter and Wallnau, 2008). In order to know and assess the relationship between the loan and advances in related to status of total assets and total deposits;

The following two hypothesis are designed to measure the relationships between the dependent and independent factors selected under from secondary data collected from the study, i.e,

The hypothesis testing procedure uses data from a sample to assess the two competing null and alternative hypotheses (Anderson, Sweeney and Williams, 2009).

H0: there is no significant relationship between the amount of loan and advances of the bank and the total deposit of the bank and total assets of the bank. H1: there is a significant relationship between the amounts of loan and advances of the bank with that of total deposit amount of the bank.

H2: there is a significant relationship between the amounts of loan and advances of the bank with that of the total assets amount of the bank.

The null hypothesis will be rejected if the H1 & H2 shows statistically significant impact on the firm.

1.5. Objective of the study, General objectives

The ultimate objectives of the study is to assess the problem on loan and advances in related to standards, deposits and assets of the Bank of Abyssinia.

1.6. Specific objectives

- Examine to what extent the bank exposed loan and advances management problems,
- Examine to what extent the deteriorating and NPL of the branches increasing tremendously,

1.7. Scope of the Study

The relevant dimensions selected in particular for this study is limited to such factors; in the Bank of Abyssinia, willingness about the critical issues understanding of the credit facility in the selected Addis Ababa city branches of the bank. This paper needs to answer only main issues of the bank's loan under only the city of Addis Ababa, in the selected branches of the bank. The researcher has encountered time constraints to carry out the research because the regular office work required extra time after working hours and also in some instances weekdays. On the other hand the respondents were not responding within expected time for the researcher to perform the sorting, coding, testing and analyzing processes. Among other things these were limitations that can be mentioned. Looking at different dimensions is very important to minimize the problem and to provide due attention to the management due to lack of confidentiality and lack of trust, un-openness, un-understanding, of the research paper has been made only based on limited secondary sources because of the time constraints, lack of necessary support data, tiredness of data collection process.

1.7 SIGNIFICANCE OF THE STUDY

This research is very essential to show the effectiveness of the Bank as it assesses the factors which determine and influence the effectiveness of the loan and advance. In addition, because of the damaging effect of credit risk on the performance of Ethiopian commercial banks performance and would be of utmost relevance as it address how credit affect the profitability of

the company (Martha, 2015). The research will have great importance to help and show different aspects regarding loan and advances approval, security estimation process, in addition to this, the study will give benefit for other researchers as references. It will also providing the gap and loopholes under the loan and advances process. This research is important for future researchers as a reference material to develop other theory.

1.8 Organization of the study

The remainder of the research thesis is organized in such a way that chapter two is reviews related relevant empirical evidences previous research literature about the subject matters, chapter three defines the research methodology and participants of the study, sources of data collection and design and methods of analysis, chapter four deal about the on data analysis and presentations of the major findings, interpreted and discussed the major findings, chapter five presents the summary, conclusion, recommendation and specify limitation that could have drawn from the research findings.

CHAPTER TWO

2. RELATED LITERATURE REVIEW

2.1 DEFINITION OF LOAN AND ADVANCES

Loan is the thing that is lent, sum of money the action of lending something or the state of being lent for each lender a loan is an investment comparable to bonds, stocks or other assets, (BoA, 2013) On the other hand for each borrow a loan or a debt on obligation to repay the borrowed money plus interest (Reed and Gill, 1989) pointed out that traditionally 85 percent of commercial banks' income is contributed by interest on loans. Loans therefore represent the Critical majority of a bank's mandatory resources.

Advances are credit facilities in the form of written promise it should not necessarily be given on physical money as in loan. To assesses the process on Follow-up loan and advances with special mention status prior to their deterioration, and overall, ensure that the loan and advances data be clear of errors and record is full complete before granted. Advances means and financial assets of a bank arising from direct advances i.e. unplanned over drafts, participations in loan syndication the purchase of loan from another lender (Beck, 2001); (Heffernan,1996) or commitment to give advance funds by a bank to customers that are conditioned on their obligations of the borrowers to repay the funds either on a specified date or dates on demand, usually with in interest (BoA, 2013),the term includes a contractual Commercial banks and the dominant financial institutions have pre-established repayment programs or not in most economies (Greuning and Bratanovic,2003) argue that commercial banks play a critical role to very emerging economies where most borrowers have no access to capital markets.

The question of loan default is related with none recovery/repayment of loans. When a borrower cannot repay interest and/or installments on a loan after it have become due, then it is qualified as default loan or non-performing loan (Chowdhury & Adhikary, 2002). Whereas, known that as non-performing because the loan cease to perform or generate income for the lender banks. The default/non-performing loan is not a "uniclass", rather a "multiclass" concept. It implies that the default/NPLs can be classified into five different categories, usually based on the length of overdue of the said loan (Gebru, 2015).

2.2 Credit Process

The authority and responsibilities body/ parties involved in the credit process are the Board of Directors, the loan review committees of the board of directors, the president, the vice president of operation, the vice president of resources and service, the vice president of corporate services, the credit analysis and relationship management department (BoA, 2013). Categories using the criteria described below; Pass loan and advances on this categories protected by current financial and capacity of the borrowers and are not subject to criticism, in any loan or advances, or portion thereof, which fully secured, both to principal and interest, by cash or cash substitutes, shall be classified under the category regardless of past due status of other adverse credit factors (Azofra, F. & R., Santamaria, 2011). Special Mention is Any loan or advances past due 30 days more, but less than 90 days shall be classified special mention, According to C., Brown, Mallett and Taylor, 1993), Substandard Non-Performing loans or advances rest due 90 days more, but less than 180 days shall at a minimum, be classified substandard. Doubt full Non-Performing loan or advances, past 180 days more, but less than 360 days shall be classified, as minimum as doubtful (Vodova, 2003). Loss Nonperforming loan or advances past due 360 days or more than shall be classified as loss. Praising requirement for loan and advances banks shall maintain the following minimum provision percentages against the outstanding principal's amount of loans or advances as lay out under the above categories (Brown and Moles, 2012).

2.3 Types of loan and advances

Bank services involves mobilization funds in the form of saving deposits, checking accounts and time deposit that are payable on demand and lending to the business organization and individual, trades. The fund should be employed to provide the maximum benefit to the community at large. Lending is the principal activity for most commercial bank. The loan is typically the largest asset and predominant source of revenue for the banks; it is also one of the greatest sources of risk to banks safety and soundness that may be due to weakness in the economy, poor credit standards, sick loans soundness (Brown and Moles, 2012).

In lending we have to follow certain guide line, principles or procedures so as control the quality of individual loan approval. The credit need of the business, bank have different category of the loan granted to the deserving business, so as to match the need of business to the type of facility

practiced in Ethiopia are listed here under, to reduce or limit debt originally scheduled for repayment in more than one year but generally less than ten years, said term loan (Aziz and Charupat, 1998). Term loan are physically money lent to borrowers in exception of period repayment. it is a method of financing which is characterized by periodic repayments that can be monthly, three months / quarterly, semiannually or on a lump sum basis (balloon repayment); term loans given by financing institutions and banks have been the primary sources of for private firms and public firms generally, term loan business are divided into three depending on their period of maturity.

Short term loan finance short term working capital self-liquidation over a period of time one year or less, it generates it's on repayment. The need is seasonal in nature, to allow temporary buildup of inventory in advances for peak selling season. As to (Azofra, F. & R., Santamaria, 2011)., participants analyzed the different risk management techniques by taking a look at the credit risk management and financial; stability on economic analysis and research directorate recommended that monetary and finance policy research ensured to finance buildup of receivable during peak sales. Purchase of raw materials when sales and cash inflow process does not match that means, a firm needs cash to purchase raw materials and pay expenses as there may/ may not be matching between cash inflow and outflow.

Medium Term Loans; the loans are granted to business to keep them overcome permanent work in capital shortage for acquisition of fixed assets. Are not expected to be repaid from liquidation of inventories and receivables but from firm's future net earnings plus depreciation allowances. Therefore, repayment of a medium term loan is scheduled over a period of greater than five years
Long Term loans; Long term loans are granted for more than five years. Abyssinia bank recently revised it long term loan is a formal agreement to provide funds for more than five years; at most loans are an improvement that will benefit the company, and increases earnings. Such loans will be used purchasing a new building that will increase capacity.

The bank before sanctioning term loans examines to safeguard its own interest (Grum and Salaj,2010) the asset and liabilities of the applicant, the earned profit and earning capacity, the nature, scope and working of the undertaking, the financial position of the undertaking.

Participation Loan; is a loan sanctioned by more than two lending institutions, It arises when one

lending institution is capable or unwilling to shoulder the risk of a loan to an individual requesting undertaking. Such loans are very popular but in India it is not though it is gaining momentum.

Merchandise Loan; merchandise loan is a kind of loan facility fronted against pledged of stocks of merchandise items in secured premises. The merchandise loans percentage depending on the nature and marketability of the items pledged. Care should be taken on advancing loan against to pledged of perishable items with limited shelf; Consideration deterioration in quality and stocks obsolescence when granting merchandise facility. Generally, merchandise loan is granted to get relief short term working capital constraints customers say for example in peak harvest season, grain traders make purchase in anticipation of better price some in future (Bofondi and Gobbi, 2003).

Advance against Import Letter of Credit (LC) Margin on letter of credit usually requested when customer feels that the individual firm cannot fully meet the value of credit from his own resource alone, depending up on credit worthiness, financial standing loan, (Croatian national bank ,2010)**Personal Loan** is one which is sanctioned on personal security to individuals, these loan are made intended to help the people of fixed income group to raise their living standard by having their own (BoA, 2013); House repaired, House constructed, Source of livelihood (self-employment), Goods of comforts e.g. Cars, TV, Personal loans are relatively unsafe; it is usually sanctioned for a period of 2 years. The loan and advances granted by banks are broadly classified in to secured, Unsecured advances, Secured loan; According to section 5 (a) of the Banking Regulation Act, 1994 (NBE, 2010), a secured loan or advances means a loan or advances made on the security of assets, the market value of which is not at any time less than the amount of such loan and advance; and unsecured loan or advance means a loan or advances not so secured. Thus the distinguishing feature of secured loan or advance are as follows; the loan must be made on the security of some tangible assets like goods and commodities, land and buildings, gold and silver corporate and government securities, etc. A charge on any such assets offered as security must be created in favor of the bank (DBE, 2013).

The market value of such security must not be less than the amounts of the bank loan at any time till the loan is repaid. If the former falls below the latter because of declines in the market prices the loan is considered partly secured (Basel, 1999).

Unsecured loan, clean advances are granted against the promissory note (PM) of the borrower. In order to safeguard its position, the bank may insist for the signatures of one or more independent security/securities (Berger, N. A and De Young R, 1997).

2.4 Other Types of Loans, Agricultural Production Loan

The sound principle of lending is fundamental precept because lending involves banking everywhere some degree of risks, for instance focused give only credit the banking principles of safety, liquidity ratio, purpose, profitability, security, system suspense's, spread/diversity and national interest, while focused in credits from different banks and merchants banks has significant role to play in development of a countries economy. Well-functioning commercial banks accelerate the economic growth, while poor these are loans granted for crop harvesting, purchase of inputs pack fertilizers, improved seeds, and combined harvesters, trucks, construction shortage facilities and (DBE, 2013). Manufacturing loan, loan granted for manufacturing cottage industries and mining full under this categories, consumer loans, These loans are granted to value soled people for the purchase of household goods, Automobile Loans, loans are granted for acquiring automobile for business or personal use construction bride loans, loan is granted borrowers who facing shortage of money at the completion phase while building, transport, service loan, loan of working capital requirements to business engaged in the transport industry, transport vehicle loans, loans granted for purchase of new or used trucks or buses are to be classified under this categories, hotel and tourism loan, these are granted for hotel business, restaurants, and tourism business. whole sale and retail trade loan, loans are granted engaged in whole sales and retail trade activities are classified under this category, health services, these loans granted for pharmaceuticals, hospitals, clinics miscellaneous domestic services; loans granted for garages, beauty salon, laundry, are under this category, import these loans are granted for importation of general goods and others services (BoA, 2013).

Export loans are granted for the export of goods and services, mortgages, these loans are granted for the purchases residential and business houses, quality O/D (Basel, 1999). It is one method of financing by which customers are allowed to draw beyond the deposit amount with their current accounts, such as facilities is usually granted to well establish customer with sizable business as a supplement to their working capital. In order to be eligible for over draft facility, the applicant has to be a customer of the bank with current account is based on some criteria's of Bank. (BoA,

2013). Failure to manage loan, which make up the largest share of assets, would likely lead to the episode of high level of non-performing loan (Hosna, A., Manzura,B. and Juanjuan, S, 2009); (Mac Donald and Koch, 2003). Overdraft facility is payable on demand the bank shall call backs the outstanding overdraft loan balance at any time, if and when its performance is unsatisfactory, a special export overdraft, this is facility available for the high valued customs of the bank, who are engaged in coffee export. The loan will give on a clean basis, but with controlling modalities, however, if the bank deems it necessary, it may request that the borrower offer physical assets as collateral. Over draws is a facility where by customers are allowed to draw temporarily funds to bridge temporary shortage of fund over draft is not a facilities that is allowed in the same way banks allow overdraft be approved by the authorized official of the bank when recovery of such overdrawn is expected from reliable substantiated remittances in the transit export bills pending negotiation, any other source of repayment considered genuine (DBE, 2013). The facility is granted to customers to maintain current accounts with acceptable swings and turnover of the accounts. Should present genuine and acceptable transit and export bills and pending payments agreement etc.

2.5 Loan Evaluation

The criteria's for most of the time a subjective job it depends on the staffs personal judgment is a very broad job to decide on dividing loans this is to say that differentiating people who pay back the loan from people who don't difficult (Bofondi and Gobbi, 2003). According to (Chen and Pan, 2012) Credit risk is the degree of value of inflations in debt instruments and derivatives due to changes in the underlying credit quality of borrowers and counterparties. (Coyle, 2000) Defined credit risks as losses from the refusal or inability of credit customers to pay what is owed in full and time. Loan risk is the exposure faced by banks when a borrowers defaulters in honoring debt obligation on due date or at maturity, this risk interchangeably called counterparty risk is capable of putting the bank in distress if not adequately evaluated (Kargi, 2011).

Azofra, F. & R., Santamaria (2011) suggest that bank risk taking has pervasive effects on banks profitability and safety. Bobakovia (2003) asserts that the profitability of a bank depends on its ability to foresee, avoiding and monitor risks, possible to make or cover losses brought about by risk arisen, Bercoff, J. J, Julian di G and Grimard F (2002). This has the net effect of increasing the ratio of substandard credits in the bank credit portfolio and decreasing the bank profitability

(Mamman and Oluyemi, 1994).

If customers are allowed to take loan and advances notable pay back, the bank will be in danger. On the other hand banks may cause problem often by not allowing loan to those who could have interested and contributed economy. Bank issue loans to those are credit worthy, Kithinji, A.M., (2010). Credit worthiness may be seen from different angles. When the company asking for loan profitable, if there is an acceptable debt equity ratio's in the firm or good managerial capability (National Bank of Ethiopia, 2008).

2.6 Loan Eligibility Criteria

In order to qualify of a loan, Liyu qi (2007) the applicant should submit the basic documentation requirements, which should include issues; Application letter, valid business license, articles of incorporation /memorandum, of association, audited financial statements for all share company, power of attorney, Performa invoice, sales agreement, concluded contract land holding certificate and vehicle of ownership booklet, testimonial letters, bank statement, the purpose of the request should clearly state (BoA, 2013), evidence should be submitted that would show the profitability of the business, which is sufficient to provide the owners within adequate returns while meeting loan obligation within a reasonable period of in the investment of project financial and economic rates of return should be stand tested against National's parameters for their acceptability (DBE, 2013). The business should have indicated at least one year of operational expense, unless treated exceptional, sufficient collateral acceptable to bank's offered (NBE, 2002).

2.7 Loan Approval

Loan approval that meet the criteria as well as the terms and conditions enumerated in the policy and procedurals manuals of the banks have to be submitted by loan officers to the branches loan committee. There is highest body in the screening process and is empowered to accept, amend, or differ or reject loan proposal submitted to it, Bercoff, J. J, Julian Di G and Grimard, F (2002). It is important that the committee composed of as many members as possible so that it is deliberation can have necessary balance (BoA, 2013).

2.8 Loan Processing

Bank undergoes certain process while dealing with loans there are definitely a number of steps to follow. Loan application and enquiries, to start any loan processing, a written applications must first be submitted the letters of application should state the purpose of the requested, name of the applicant signatures of the applicant and type of collateral to be offered and duration of the loan period. Beside basic requirement like and appropriate licenses an audited or provisional financial statement and other should be fulfilled (BoA, 2013).

In addition to this the bank study details of the loan process financially and non-financial impact of credit risk management on credit risk exposure study were used impact of credit risk management on credit exposure of the bank, as a result of,(Martha, 2015). The study concluded that need statistically a credit risk management, credit risk exposure has inverse relationship, significantly reduces the banks profit which in the long run lead to crises by affecting the overall economy of the country (Demirguc-kunt and Detragiache, 1998, and Gonzalez-hermosillo, 1999); (Louzis, et al .,2010) conducted study to examine the determinants of loan and advances on Non-Performing loan in the Greek financial sector using fixed effect model from 2003- 2009 period the variables included were ROA, ROE Solvency ratio, Loan deposit ratio, un efficiency, credit growth, GDP Growth rate, unemployment rate, and lending rate. The finding reveals that loan to deposit ratio, solvency ratio, and credit growth has no significant effect whereas inflation and lending rate has positive effect on non-performing loan. Whereas ROA and ROE has specified negative effect on non-performing loans, this justified that performances and inefficiencies measures may serve as proxies of management quality (Njanike, K, 2009).

Martha (2015), instructs the first study approximating on credit quality by the loan loss provisions over total loan ratio's, the ratio of total loan loss reserves to gross loans LOSRES is a measure of bank asset quality that indicate how much of the total portfolio has been provided for but not charged.

The findings of Martha (2015), also shows that ROA, ROE Are all indicating profitability were negatively related to the ratio of NPL to total loan NPL/TL of financial institution therefore decreases profitability, however measured the cost income ratios by overhead costs to total asset ratio, some empirical literature found a negative relationship between operational efficiency and banking profitability.

Interviews stage before starting the paper work for the actual proceeding of a loan borrower must be interviewed by the respective loan official's branch. Credit information's all available internal and external sources should be used to obtain the credit information about the applicants before deciding on the financial of the business. In field visits the loan officers should go and visits the applicant business sites to perform the required procedure. Property estimations and the property assesses or on behalf of the banks estimation of security property. Deliberations at branches loan committee expected to review the case presented seriously and exhaustively to arrive at a careful and fair decision and recommendation. Informing to customers about the decision of the bank all decisions must be communicated the applicant in writing with the specific reasons considered in the decision at the shortest possible time.

Disbursements loan officers must make sure that all necessary legal and other documentary formalities are fulfilled after that disbursement should be affected within three month time. Follow up this step starts right after the loan disbursement has been affected, it is only with close follow up that a bank avoids ending up with sick loan (DBE, 2013).

2.9 Loan Contract

Loan contract is an agreement specifying the term of a loan obligation of the borrower in this case after the credit request gets approval and customer agrees with the decision, appropriate to loan contract has to be prepared correctly and signed by all parties concerned including witness. This contract prepared immediately in guarantors and signed by the bank's signatory lies, cosignatory laid witness and the borrower.

There are five type of loan contracts, term loan contract, is prepared and signed when the facility approved is term loan open credit contract, is prepared and signed when the facility approved is overdraft, mortgage contract, the contract will be required to be prepared when credit facility was approved against third party collateral agreement, also joint and several guarantee contracts this contract is used when a loan is approved against guarantee arrangement. Merchandise types Loan contract, prepared and signed when physical pledged of merchandise goods as collateral to loans takes place (DBE, 2013).

2.10 Credit Risk Rating

The Purpose of Credit Rating to assist in credit decision –making process, Salas, V and Saurina, J., (2002). To support in monitoring and controlling the quality of loans and advances, to timely managed early warning signals, to maintain an application of uniform/credit-risk rating /grading standards throughout the BoA's ; and to help in setting loan pricing and maintains an appropriate level of loan provisioning. (BoA, 2013) Credit risk means the potential loss to the bank when its borrower fails to meet his/her/its obligations to repay a loan in accordance with the agreed terms and conditions. Risk used the variability of the actual return from the expected returns associated with a given an asset or investment, (khan and Jain, 2004); (Ehrhardt and Brigham, 2011), also defined risk as" the chances that some unfavorable event will occur". Credit risk rating /grading means a system employed by the bank "BoA" to differentiate the degree of the credit risk to the borrowers from the BoA.

In Ethiopian commercial bank especially financial institution established to promote the national development agenda through development finance and close technical support to viable projects from the priority areas of the government by mobilizing fund from domestic and foreign sources while insuring its sustainability. The bank earnestly believes that these highly valued objects can best be served through in continuous capacity building, customer focus and concern to the wider environment.

2.11 Empirical literature review

Well-functioning commercial bank's accelerate economic growth rule, while poorly functioning commercial bank are an impediment to economic progress and aggravate poverty (Carey M, 1998); (Barth et.al, 2001; Khan and Senhadji, 2001, as cited in Richard, 2011). The traditional role of a bank's is lending and loans make up the bulk of their assets (Njanike, 2009). According to the research by Havrilesky and Boorman (1994), interest on loan contributes significantly to interest income of commercial banks. In Reed and Gill (1989) pointed out that traditionally 85 percent of commercial banks' income is contributed by interest on loans. The loans therefore represent the majority of a bank's assets (Saunders and Cornett, 2005). Lending was not an easy task for banks because it creates a big problem which is called NPLs (Gebru, 2015). Due to the nature of their business, commercial banks expose themselves to the risks of default from

borrowers (Waweru, and Kalami, 2009). According to (Alton and Hazen, 2001) NPLs are those loans which are ninety days or more past due or no longer accruing interest. Agrees arguing that NPLs are those loans which are not generating income; this is further supported by (Carey, M, 1998). Who define NPL as those loans which for a relatively long period of time do not generate income that is, the principal and or interests on these loans have been left unpaid for at least ninety days. The term bad loan as described by (Fofack, 2005) is used interchangeably with non-performing and impaired loans, and also considers these types of loans as “problem loans”. In effect, these would be considered bad or toxic assets on the bank’s books (Bexley and Nenninger, 2012). According to approvals and, NPLs could be injurious to the financial performance of banking institutions. Obligation of bank to advance fund to or behalf of a person; claim evidence by a lease financing transactions is in which the bank is the lesser and an overdraft facility to be funded by the bank on behalf of a person the term does not include accrued but uncollected interests (National Bank of Ethiopia 2002).

Whether such loan or advance have pre-established repayment programs or not into the following five classification categories using the criteria’s described below; the bank exists not only accept deposit but also to grant loan and advances credit facilities, therefore inevitably exposed to credit risk. Loan and Advances is by far the most important risk faced by the banks and the success of the business depends on accurate measurement and efficient management of credit risk to a great extent than any other risks (Gieseche, 2004).

An increase in credit risk management gradually leads to crises, liquidity and solvency problems credits risk increases if the banks lends to borrowers it doesn't have adequate knowledge about, in Robert and Gary(1994), states that the most obvious characterized banks is not poor operating efficiency, however, but an increased volume of nonperforming loans, in many of the literatures reviewed it is explained that bank performance is represented mainly by quantifiable financial indicators (Berger, N. A. and De Young R., 1997). The profitability accounts for the impact of better financial soundness on the bank risk bearing Capacity behind on their ability to provide liquidity transformation (Rauch et.al.2008; Shen et.al.2010). According to, (Popa et.al.,2009), the popular measures of bank performances are return on asset ROA, ROE, (return on equity) net banking income and the efficiency ratio, (Gilbert, 1984)in a survey of literature argued that bank profit is an appropriate measure of bank risk.

The internal factor originate from bank accounts (balance sheet and profit and loss accounts) and therefore could be termed micro or bank specific factors of nonperforming loan and profitability the external factors not related to management but reflect the economic and legal environmental that affects the operation and performance of financial institutions. (Yuqi Li, 2007); (Molyneux and Thornton, 1992), another one of the greatest works who nicely illustrated this approaches by investigating bank profitability of 18 European countries over the period of 1986_1989. Demirguc-kunt and Huizinga (1999) underlined the internal and external factors of profitability for banks of 80 countries over the period of 1988_1995, most researcher have measured performance using either ROE, ROA, The majority studies dealing with micro specific factors must employed.

According to Gebru, (2015), Commercial banks decision to lend out loans are Influenced by a lot of factors such as the volume of deposits, has positive relationship level of domestic and foreign investment neither nor positive relationship interest rates, and negative relationship cash reserve requirement has relationship and liquidity ratio has negative relationship mention a few.

Musyoki, (2012) has studied the impact of credit risk management on the financial performance of the bank's in Kenya. The objective of the study was to assess various parameters pertinent to credit risk management as it affects bank financial performance. Such parameters covered in the study were, default rate, bad debts costs and cost per loan asset. Financial report of ten bank was used to analyze profitability ratio for seven years (2000-2006), comparing the profitability ratios to default rate, cost of debt collection and cost per loan assets which was presented in descriptive regression and correlation measure was used to analyze the data. The study reveals that all these parameters have an inverse impact on the banks financial performance related the other indicator of credit risk management. The recommendations made to advice banks to design and formulate strategies that will not only minimized the exposure of the banks to credit risks management but will enhance profitability and competitiveness of the banks.

The following are among the studies conducted by different scholars, Richard, E (2011). Studied credit risks management and its impact on the performance on Tanzanian commercial banks, the researcher used empirical data analysis techniques to investigate credit risk management on bank performance. Then used six private commercial banks as reference and used their annual reports for the study, the researcher used quantitative research methods and interpreted the Output using

regression. From the research he has arrived at there is a significance relationship between bank performance (interns of ROA) and credit risk management (interims of loan performance)

Better loan risk management and results in better bank performance. Credit risk management and profitability of commercial banks again studied by Rauch, C., Steffen, S., Hackethal, A. and Tyrell, M., (2008). ; (Martha, 2013), in the study, the researcher took 7 bank purposively that have been operating over ten years in Ethiopia. To examine their impact level, or the researcher used multiple regression models by taking 10 years ROE (dependent variable), NPLR, and also CAR (independent variable) from each bank, in addition to questionnaires was also distributed to the authorized personnel assigned to risk management position in each bank, accordingly results has concluded that the nonperforming loan ratio and capital adequacy ratio has a negative impact on Profitability of commercial banks in Ethiopia.

2.12. Knowledge Gap

So many scholars called the above title with different titles; impact of credit risk management, or credit recovery, credit procedure and process, impact of nonperforming loan and so and on but it's general name is loan and advance. According to Greuning and Bratonovic (2009), banking risks fall in to three categories; Financial, Operational and Environmental risks.

The gap between the existing research works and this thesis's arises from the nature of the topic there are so many research works available in the library and other sources, under different titles such as, credit risk management, credit recovery process, determinant factors of NPL, credit risk management most of the papers are cited in this research papers as a references, hence but all the papers are the sub set of this research papers unless loan and advances so there is no determinant factors, risk managing styles, credit recovery plans, in addition to this there is and a known fact under loan and advance faculties that is increased in deposit amount there is also increased credit amount of loan and advance, but here is the reverse is true, loan and advances increases also total assets and total deposits.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

The research provided explanation on impact of loan and advance in bank of Abyssinia performance of the credit department. In order to attain the objective of the study and answer the research questions the study adopted a case study strategy. The case was conducted on two selected technique these are primary and secondary data however, the researcher adopted to establish whether the findings of one case occur in other cases and as consequences, the need to generalize from the findings.

The data collected via the questionnaires was analyzed by Statistical Package for Social Sciences (SPSS). In generating the actual results, frequency tables were generated to determine the number of respondents who expressed their opinion on a particular item, based on the frequency tables generated from SPSS, descriptive statistic was used to analyze and describe the findings. In order to further test the research hypothesis, the research used sample test (T-statistic) a multiple linear Regression model. The T-statistic test applied to examine the relationship between the studies' dependent and independent variable whereas multiple linear regression models was applied to evaluate the level of significance of the independent variables on the dependent variable (Yalew, 2015).

3.1. Population of the Study

Based on the TARO YEMANE'S formula, the number of branches must be concluded in research were 128. According to their establishment and loan performances the researcher prepared the above branches 128 questionnaires send to the respondents and 24 are missing one hundred ten sample size of internally audited financial statements and departmental materials collected to analyze the secondary data, but eighteen are missing (BoA, 2015).

3.2 Research Design and Approach

This research is designed by both descriptive and explanatory research methods need to conducted cluster and stratified random sampling approaches were adopted from one branch Manager, customer service manager, auditor or credit officer only one person or staff selected among 128 branches and corporate Customers, on the other hand, In the study as the amount of

loan and advances which has direct relationship with the amount of total assets and total deposit under the control of other variables or performance. The independent variables, denoted by “X”, have been identified in the study as the impact of total assets and total deposits. The study used various factors of under loan and advances there are P principal, I interest, and S suspense amounts and loan and advance balance.

The study instrument was administered to the respondents through a personal contact and appropriate guidelines were provided to respondents in answering the questions. The statistical package for social science (SPSS) version 20 was used to analyze and test the hypothesis, in order to determine the relative association between the studied variables. And also there are Published reports the balance sheets, income statements, of BoA from 2012 to 2016 and other data various annual and quarterly published materials from National Bank of Ethiopia, Development Bank of Ethiopia banking proclamations, commercial code of the country, central statistical authority of Ethiopia, ministry of finance and economic development MOFED, Ethiopian Economic Association EEA and different internal memos were the existing reference materials. Testing for significant difference across the group while the second is test for significant association between two factors.

Quantitative research involves collecting quantitative data based on precise measurement using structured, reliable, and validated data collection instruments or through archival data sources. The nature of the data is in the form of variables and data analysis involves establishing statistical relationships. If properly done, results of such research are generalized able to entire populations. Without any specific prejudice against these two research approaches.

3.3. Model Specification

To assess the correlation among of relationship between dependent and independent variables the researcher also used the following multiple linear regression model. The key concept underlining regression analysis is the concept of the conditional expectation function [CEF] or population regression function [PRF] our objective in regression analysis is to find out how the average value of the dependent variable or regressand varies with the given value of the explanatory variable or regressor (Gary, 2003).

The Econometric Model used in the study is gives as.

$$Y=B_0+B_1X+e$$

Basic econometrics Where Y is the dependent variable B_0 is constant term, B is coefficient of explanatory variables, X is explanatory variable and e is Error term assumed to have zero mean and independent across time period. The regression function determines the relation of X to Y., B_0 is the constant term. It is a regression function equation to predict the variances in dependent variable from the independent variables. This means that if B coefficient is negative, the predictor or independent variable affects dependent variable negatively; one unit increase in independent variable will decrease the dependent variable by the coefficient amount. In the same way, if the B coefficient is positive, the dependent variable increases by the coefficient amount. B_0 is the constant value which dependent variable predicts to have when independent variables equal to zero finally, e is the disturbance or error term, which expresses the effect of all other variables except for the independent variables on the dependent variable.

By adopting the econometrics model as in equation above specifically to this study,

$$\text{Loan and Advances} = f(\text{Total deposits, total amount of assets}) \dots \text{Eq. 1}$$

$$\text{Loan and Advances} = f(\text{Total deposits} + \text{Total Assets} + \text{error}) \dots \text{Eq. 2}$$

By graphical test, the variables have a linear relationship and hence the equation can be stated as

$$\text{Loan and Advances} = f(\text{Total deposits} + \text{Total Assets} + \text{error}) \dots \text{Eq. 3}$$

Therefore, substituting the approved amount values in the Eq.3 yields below,

3.4. Definition of variables assets

3.4.1. Dependent variables

Total loan and advances approved amount

Loans and Advances (p)

Term Loans: industry (manufacturing) building and construction domestic trade & services international trade – import transport & communications subtotal - term loans personal loans, non-staff personal loans subtotal - personal loans staff loans staff personal loans, emergency staff loan staff mortgage loan subtotal - staff loans overdrafts, domestic trade & services international trade - import others subtotal - overdrafts advances advance on sales contract subtotal - advances total loans and advances(p) loans in litigation (p)

interest receivables (I), interest receivable term loans, industry building & construction domestic trade & services international trade import transport & communication subtotal - int. rec term loan int. rec - personal loans int. rec - non staff pers. lns sub total - personal loans, interest rec. staff loans staff personal loans staff mortgage loan subtotal - int. rec. staff ln interest receivable-overdrafts, domestic trade & services international trade - import others subtotal - int. rec overdraft, interest receivable advances

advance on sales contract subtotal - int. rec advances total interest receivable (i) interest suspended (s), interest suspended term loan domestic trade & services subtotal –int.susp term loan, interest sp staff loans, staff mortgage loan sub total interest sp staff ln, interest suspended - advances

Total - interest suspended

Total Loans and Advance (P+I-S)

Proxy measure for default rate, default is usually computed the term of the practice in the financial services industry for a particular lender to change the terms of payment schedule, as a cause of non-performing loan. This is to indicate the efficiency in distributing loan to customers.

3.4.2. Independent Variables

Total Assets; collection value of Cash

Cash - local currency, Cash - teller cash acct lcy cash - atm cash account, Cash - strong room cash - imprest fund, Subtotal - cash - lcy(local currency). cash - foreign currency cash - strong room foreign sub-total - cash fcy total cash uncleared effects – local, claims on HO& branches unclearedcheques paid total – unclear eff. local uncleared effects - foreign total – uncleared

effects sundry debtors advance on salary miscellaneous –lcyccheque books stock ac revenue stamp - loans repaid rent youth targeted program subtotal - sundry debtors inter branch accounts, ho account-new inter branch subtotal–inter branch accts, it is a measure of, it is indicators of how efficient a company is in using its effort to collect its contractual obligation. Proxy measure for default rate, default is usually computed the term of the practice in the financial services industry for a particular lender to change the terms of payment schedule, as a cause of non-performing loan.

3.4.3. Total Deposit Amount Total Deposits (liabilities)

Deposit Accounts; demand deposits dd nr fcy accts dddom.banks & fin. instdd private and individuals dd coop and associations retention account a sub total - demand deposits saving deposits, s/a - coop associations s/a - private and individuals subtotal -savings deposit provident fund deposits, prov. fund-employees' contribprov.fund-employer's contrib, subtotal provident fund special saving deposits. This is to indicate the efficiency in distributing loan to customers.

Sp/Sa-private & individual'ssp/sa-coop association'ssp/sa-dom.banks & fin. Ins subtotal - special savings certificate of deposits, CDT- coop associations CDT- private and individuals subtotal -cert. of deposits

It is an agreed up on Disbursement amount, value based on the approved amount of money and the capabilities of the borrowers in related to loan period in which the money paid back principal plus interest of the funds it estimated and measured the size of the bank and its customer position

Large banks are expected to have low credit risk that emanate from their capacity to established sound credit management framework. Banks with higher loan to total asset ratio have high exposure to credit risk (Brewer, 1989 and Altunbas, 2005).

Whereas come to the primary data analysis Descriptive and quantitative casual search include survey and secondary fact finding enquiries used the major purpose of descriptive and explanatory research is description of affairs, as it exists at present. The advantage of descriptive research is that they provide a wide, quick, easy, inexpensive, efficient and accurate means of assessing information about the population.

3.5. Sample size determination

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

Let N be population, n be, sample size, (e) be estimation. / The level of precision/sampling error.

$$= \frac{187}{1 + 187(0.05)^2} = 128 \text{ sample size.}$$

The above mentioned bank branches for the analysis purpose for the primary and the secondary data the researcher need one hundred twenty eight branches questionnaires and five years average financial data around twenty four questionnaires and eighteen branches data missed, cluster sampling methods used for geographically clustered branches. (BoA, 2012-2016).

3.6. Methods of Data Collection

Secondary sources of data collected from officially Published internally audited annual reports the balance sheets, income statements, of BoA from 2012 to 2016 and other data various annual and quarterly published materials from National Bank of Ethiopia, Development Bank of Ethiopia banking proclamations, commercial code of the country, central statistical authority of Ethiopia, ministry of finance and economic development MOFED, Ethiopian Economic Association EEA and different internal memos were the existing reference materials. In addition to this, Primary data from large number about the territory to be surveyed in personal contact, needed to be able to classify and structure the thing through banks support mail system mailed out close ended and open ended questionnaire would be collected from different sources.

3.7. Methods of Data Analysis

The first part consists of demographic profile of the respondents, which prepared on closed ended format, the second part also prepared on Likert scale and deals about loan and advances related questions, lastly open ended and unstructured suggestion fields. The data collected from the secondary sources is presented and analyzed based on SPSS Ver. 20 using tables; graphs based on trend analysis to show to what extent banks are exposed to loan and advances problems need to analyze, interpreted and summarized the data based on descriptive statistical approaches.

In addition to these primary data collected from questionnaire were distributed to the sample respondents. the methods used to analyze the collected data to evaluate the credit analysis and trend analysis of the bank are summarize the collected data and concluded, this was done by combining all 'strongly agree', 'agree', 'neutral', 'disagree', 'strongly disagree'. In turn within their categories the response were processed in categories of accept and reject a proposition. The rating so recorded was assigned rating values from 1 to 5 respectively as shown below. Self-administered questionnaire were distributed to gather data.

Response scale, Scale rating; strongly agree -1, Agree/good/high-2, Neutral/medium-3, Disagree/low- 4, strongly disagree/very low- 5. For analyzing the data average being considered by the researcher as a cut of point after collecting and sorting out the relevant data using data collection tools, quantitative responses are sorted coded, computed, and analyzed using statistical package for social science (SPSS Ver.20). Software version 20.0 the appropriate statistical analysis were used according to respective objectives and descriptions, then presented using different tables and charts shown in appendix. The researcher assesses the current practice and challenges of loan and advance, in doing so, mean, and standard deviation are used to analysis of variance (ANOVA)was used to compare among the population of the study (APPENDIXII).

CHAPTER FOUR

4.1 Data Analysis and Presentation

This presentation analyze the data collected on both primary and secondary sources of information and discussed it accordingly, first, general profiles of respondents is analyzed and presented by tables, followed by the loan and advances factors that affects the credit procedure and performance of the bank are analyzed using frequency tables and percentages finally, discussions are made based on the data presented and analyzed from the total 104 questionnaire only 24 are not collected which is 19% of which means these number doesn't make any negative impact since the total respondents are adequate enough to make the analysis. All the discussions below are made on these groups of respondents.

4.2. Analysis of the findings

RELIABILITY

/scale ('all variables') all

/model=alpha. scale: all variables

Table 1

Reliability Statistics	
Cronbach's Alpha	N of Items
.745	104

Table 2

Descriptive Statistics primary data

	N	Min	Max	Mean	Std. Deviatio
Age	104	1	2	1.48	.502
Sex	104	1	2	1.73	.446
Level of E	104	3	3	3.00	.000
Field of S	104	1	3	2.37	.825
Work Expr	104	1	4	2.00	1.005
Position	104	1	4	1.89	1.206
Valid N (list wise) 104					

Table 3 Survey response rate

Respondents	Size	Missed
Sample size	128	24
Completed and returned	104	-
Response rate	81%	19%

Source: Survey outcome

Table 4

Demography

NO.	ITEMS	NO. RESPONDENTS	PERCENTAGE
1	SEX		%
	FEMALE	28	26.9
	MALE	76	73.1
	TOTAL	104	100
2	AGE		%
	18-29	54	51.9
	30-46	50	48.1
	46-60	-	
	60 ABOVE	-	100
	TOTAL	104	
3	EDUCATION		%
	BA/BSC	104	100
	MA/MSC		100
	ABOVE MA/MSC	-	
	TOTAL		100
4	FIELD OF STUDY		%
	IT/Computer Science	23	22.1
	Accounting	61	58.7
	Management	20	19.2

	Economics	-	-
	Other fields	-	
	total	104	100
5	Experience		%
	1-5	37	35.6
	6-10	46	43.3
	11-15	7	6.7
	15 above	15	14.4
	total	104	100
6	position held		%
	managers	60	57.7
	Customer service managers	16	15.4
	Credit officer	7	6.7
	Audit officers	21	21
	total	104	100

Source; own survey

4.2.2. Analysis of the findings

Table 7 shows that the breakdown of the sample respondents selected from the population, out of 104 respondents 28 are females and 76 are male respondents the representation of the gender on the loan and advances position is less than the male, as regarded with the age range the

respondent as indicated as in item 2 of the table majority of the respondent lies in the age grouped between 30-46 (48.1%)almost more than half of the respondent and between age group 18-29, 54 (51.9%). Relating to level of service from 1-5 years of experience there are 37(35.6%), between 6-10 years there are 46 employee's, (43.3%),11-15 there are 7(6.7%)and the last14.4%employees are having more than 16 years of experience.

As can be perceived from item level of education there are 104(100%) first degree holders. There is a shortage of other field of study and proportion of loan and advance officers related to BM and CSMs.

This indicates that the experience and professional staffs is important to the bank, but it needs best strategies and motivates in order to maximize the loan and advances process of the bank and increase its profitability.

There is also gender imbalances female representation in the study outnumbered they are only 30%,70%were males in addition to this MSC/MA holders are also outnumbered, this indicates that the qualified employees and experience is in shortage. This section deals about analysis and interpreted the data gathered from respondent through distribution of questionnaires. The analysis and data presented as follows,

Table 5

No.	Items	Freq/%	Responses					
			SD	D	N	A	SA	TOTAL
1	NBE	freq	15	6	27	48	8	104
		%	14.4	5.8	26	46.2	7.7	100
2	Communicate	freq	-	8	34	56	-	98
		%		7.7	32.7	53.8		94.2
3	Consult	freq	8	6	48	35	7	104
		%	7.7	5.8	46.2	33.7	6.7	100
4	SATISFY	freq	6	28	21	34	15	104
		%	5.8	26.9	20.2	32.7	14.4	100
5	TIMELY	freq	7	29	34	26	8	104
		%	6.7	27.9	32.7	25	7.7	100

Source: own survey, 2016.

Does the bank loan and advances approval process keep the national bank of Ethiopia standards?

Yes 37.32 % of respondents agreed and confirmed the bank keeps the standards.

Examine to what extent the bank exposed to loan and advances management problem?

Feed backs said that 40.42% of among the respondents said there is a management problem but 49.28% of respondents nothing to say about the problems.

The issue of a loan and advances became more prominent in recent years loan is especially important to an investment and economic development, but the above crucial mandatory requirements must be kept confidentially. Accordingly, as can be seen in the table 8 the respondents confirm whether the bank uses the NBE Standard or not 48 (46.2%) agree and 8 (7.7%) respondents are strongly agreed, on the other hand the bank's credit officials are communicated the borrowers about their due payments 56 (53.8%), agree and 0 (0%) are strongly agreed on the job of the credit department. According to consultation with the borrowers the credit process of the bank advised the borrowers before the loan deterioration is 7 (6.7%) respondent are strongly agreed, on the satisfaction of the borrower from the process of loan and advances on timely and efficiently the respondents are said that 21 (20.2%) are neutrals, 34 (32.7%) are agreed on timely and efficiently process the loan and advances process, but on the satisfaction of the customers are agreed and 15 (14.4%) of the respondent said that strongly agreed on the process. Lastly the bank keeps the customer collateral securities on custodian earnestly and honestly 21 (20.2%) of respondents are strongly agreed. With regards to what extent respondent address their response negatively related to NBE Standard respondent said they are neutral about the subject matters,

The responses from loan and advances process completed on timely and efficiently, 7 (6.7%) said that strongly disagreed, 29(27.9%) said that again disagreed, 34(32.7%), neutral about the process, 26(25%) of the respondent said agreed and 8(7.7%) respondents are said strongly agreed.

Borrowers must communicated and understand what looks like their repayment schedule during the end of the month or period 8 (7.7%) are said they are not properly communicated on their obligation, and they became each of the respondents are disagree and 34 (32.7%) neutral on the process. Before borrower deterioration, customers must consulted and advised by the bank, There are 8 (7.7%), 6 (5.8%), and 48 (46.2%) strongly, disagree, and not happy about the understanding of how the customers benefit from the BoA officials done this.

On the other hand under the process of loan and advances completed on time and efficiently, the respondents are said that only 6 (5.8%) are not happy, 8 (7.7%) are not happy or strongly disagree, are still not sure or disagree, this implies that the loan and advances process must be strategically designed for the users.

The loan and advance approval committee works deserves the borrower according to NBE standard is important issues and the respondents said that 15 (14.4%) of respondent are strongly suggest that is never been, and 6 (5.8%) respondents again not happy about the questions, 27 (26%) are neutral about the word NBE standards.

The bank earnestly keeping the loan and advances collaterals securities properly and respondents are both disagree and neutral with the bank, 28 (26.9%), respondents about the subject matters and 21 (20.2%) each are strongly agree and agree.

The finding indicate that the majority of the employees benefits given by the bank such as housing loan, vehicle loans and personal and emergency staff loans the questionnaire regarding dalliance of disbursement and the concept of timely and efficiently the respondent of result was (37.3%) of respondents are agreed on the process, (30.4%) remains silent on the process.

From the research and the above data the bank tried to determine the gap of the current demand on the bank assistance and actual assistance of the bank provided for loan, such as housing, vehicles, personal and emergency staff loans as can be understood from the data the respondent expressed their feelings that they are satisfied, since majority of the respondent said that it's not adequate the bank should revised and adjusted the package in to account the paying capacity and inflation

Table 6

NO	ITEMS	FREQ	RESPONSES					TOTAL
			SD	D	N	A	SA	
14	NPL	Freq	14	28	33	22	7	104
		%	13.5	26.9	31.7	21.2	6.7	100
15	Amend	Freq	7	34	36	19	8	104
		%	6.7	32.7	34.6	18.3	7.7	100
16	Impact	Freq	6	22	42	13	21	104
		%	5.8	21.2	40.4	12.5	20.2	100
17	Wealth	Freq	-	6	55	22	21	104
		%	-	5.8	52.2	21.2	20.2	100
18	Action	Freq	-	28	21	48	7	104

		%	-	26.9	20.2	46.2	6.7	100
19	Guidanc	Freq	6	22	43	20	7	104
		%	5.8	21.2	41.3	19.2	6.7	100
20	Dual	Freq	16	-	19	28	28	91
		%	15.4	-	18.3	26.9	26.9	87.5
21	Suspens	Freq	6	15	8	41	21	91
		%	5.8	14.4	7.7	39.4	20.2	87.5

Source: own survey, 2016.

Under questionnaire No.14 the share of NPL AT the branch level increased tremendously, 33(31.7%) respondents are silent 28 (27%) are agreed on the level is tremendously increase but some respondents; 14 (13.5%) said that they are strongly disagree, 22 (21.2%) agreed and some of the respondents 7 (6.7%) strongly agree on the amount increase in their ends.

Does the branch amend the loan and advances system error, 8 (7.7%) respondents are strongly agreed for the amendment of the error, 7 (6.7%) of respondents are strongly disagreed, but 19(18.3%) respondents are surely agreed that they provide amendment, the rest of both responds, 34(32.7%) and 36(34.6%) respondents said that they disappointed and remain silent.

NPL impact on loan and advance in related to general expense of the bank, 42(40.4%) remains silent, 21 (20.2%) respondents are strongly agreed to the effects has an impact on the general expense, 13 (12.5%) respondents are again agreed, but 6 (5.8%) respondents are strongly disagreed and, 22 (21.2%) respondents are disagreed on the concept.

The impact of loan and advances on the wealth maximization of stakeholders, 21 (20.2%) respondents are strongly agreed, 22 (21.2%) respondents still have positive relationship with the bank performance and wealth maximization, 55 (52.2%) respondents are silent, but 6 (5.8%) respondents are dissatisfied about the subject matters and 0 (0%) respondents are strongly disagreed.

The bank taking immediate action on the performance of the borrowers, according to respondents reply about this question 0 (0%) respondents are strongly disagreed there is no action, 28 (26.9%) still disagreed on the issues, but 7 (6.7) respondents are strongly agreed, 48 (46.2%) replied to this study yes there is something that an action is there, 21 (20.2%) replied neutrals.

There is regular guide and consultants services to the customers, 22 (21.2%) respondents are

replied they are disagreed, 20 (19.2%) responded to this question strongly recommend that they have agreed about the service, but only respondents are strongly disagreed are 6 (5.8%) by the bank credit experts, 43(41.3%) are neutrals and 7(6.7%) are strongly disagreed.

The relationship between the bank and it's highly esteemed customers are based on dual benefit, 0 (%0) respondents are dissatisfied or disagreed, 19 (18.3%) respondents are reply to this question they have no idea, 28(26.9%)are agreed on the process, 28 (26.9%) respondents said they are strongly agree, but 6 (5.8%) said that they are strongly disagreed.

The balance of system suspense account disturbed the performance of the bank's, 21 (20.2%) respondents are strongly agreed, 41 (39.4%) respondents are still agreed, 15 (14.4%) respondents are disagreed about the issues, 6 (5.8%) said that both are strongly disagreed and 8(7.7%) remains silent.

Table 7 Descriptive statistics for Secondary data

	Mean	Std. deviation	N
Loan and advance	7.2576	.84981	110
Liquid cash	6.7225	.31283	110
Total assets	8.2439	.53304	110
Total deposit	7.7488	.48649	110
Total liability	6.1359	.83319	110
Total cap and res	6.416	.77479	110
System suspense	1.4276	1.07178	110

Table 8 Model summary b

Model	R	R Square	Adjusted Square	Std. Error of the Estimate
1	.781	.610	.588	.54566

- a. Predictors (constant), Total deposit, Total assets, Total liabilities, system suspense, liquid cash, total capital and reserve.

The coefficient of determination, the R, R-Square and the Adjusted R-Square is relatively high witnessing the model, and has high explanatory power as shown in the table 4., revealed the impact of the relationship of the variables.

Table 9 ANOVA a

Model 1	Sum of squares	Df	Mean square	F	Sig.
regression		6	8.008	26.897	.000b
Residual		103	.298		
Total		109			

a. Dependent Variable: amount of loan and advances

b. Predictors: (Constant), system suspense, amount of liquid cash, total capital and reserve, total deposit, total assets, total liabilities

The ANOVA table for the selected variables shows the explanatory variables in the regression model are significant effect and explaining that the impact of loan and advance performances on the total assets and total deposits of the BoA. The calculated F value appears larger than the significant value. The calculated significant value (.000) is lower than the expected significant value i. e, (.005)It can be deduced that, the calculated f- value and the p- value for the above statement is 26.897 and .000, @.05 level of significance and 109 degree of freedom

Decision (Decision rule; Reject the Ho if the p-value \leq @, i.e. 0.05

Table 10 Coefficients

Model 1	Unstandardized	Coefficient	Standard	T	Sig.
	B	Std. Error	Beta		
(constant)	-4.161	1.371		-3.034	.003
Total asset	.385	.146	.241	2.645	.009
Total depos	.804	.164	.460	4.905	.000

a. Dependent Variable: amount of loan and advances (loadv)

Estimation

From the above table the p-value is .000, which is less than the tabulated value of @ .05, therefore the null hypothesis (Ho) should be rejected in favor of accepting the alternative hypothesis (H1 and H2). Hence we can conclude that the adaptation of loan and advance has a significant impact on total deposit and total assets of the BOA.

$$Y = -4.161 + .385 TA + .804 TD$$

The table below shows the results of the endogenous variables in the multiple linear Regressions Model.

Result can be presented in the model as follows; (total assets and total deposit (TOTASS, TOTDEP))

$$LOADV = -4.161 + .385TOTASS + .804TOTDEP$$

The beta coefficients for total capital reserves has negative relationship with the amount of loan and advances, this implies an inverse relationship between them, thus a unit change in the amount of total capital and reserve has inverse effect to the extent of 0.075 and 7.5 respectively on the amount of total loan and advances.

4.2.1. Decision Rule

The amount of total assets and total deposits have positive effect on the amount of loan and advance the coefficients of the two variables revealed that the impact of total asset and total deposit have significant effect under the statistical test of hypothesis and variables that the parameters estimates to Reject the null hypothesis.

4.2.2. Analysis of the Findings

Relationship between variables as obtained in table shown in appendix II, it is observed that medium association exists amongst the studied variables. Loan and advances process show positive relationship with total deposit where $r = .732$, loan and advances process is positively related to total assets $r = .645$, this relationship could be attributed to the prior knowledge of the

loan and advance regarding the bank's objective. In other words prospective borrowers tend to seek information about the organization regarding their loan limit. Similarly, high association exists between loan and advances value and total liability $r = .630$, an explanation to this is that individual value tends to reflect in positively related. In other words, objectives are expected to be in line with this value significant relationship between loan and advances and other individual variables in the organization. Whereby, in similar direction, the significant relationship that exist between the other variables is a follow-up-of the loan and advances process which must be closely aligned. Generally the variables of the study are positively related an explanation for this could be associated with the fact that tends to search other loan facilities where they can achieve goals. Therefore, efforts are being made to ensure that the organization loan and advance process does tally or align with their individual value and practice however, it is essential to note that some loan only search that can pay their pay on their due dates. Source; Correlation matrix of variables survey,

The results regression analysis conducted to test the research model between loan and advances and total deposit and total assets of the bank; and performance, as shown in the model explains the association between individual independent variable, as observed in tab.5, under beta column, loan and advance process makes the strong unique contribution of each independent variables contribution to explaining the dependent variable, which is represented with .385 beta coefficient. Followed by the deposit program with .804beta coefficient, This can be interpreted as ; the share of using loan and advances in the bank of Abyssinia very strongly increasing by 38.5% total assets and 80.4% total deposits. Which could be interprets as deposit program making 80.4% contribution to dependent variable. Looking at the column marked sig., it is evident that total assets variable (sig. = .009); and under total deposit (sig. =.000) are making significant unique contribution to the prediction of the study dependent variable. However, a close analysis of model parameters indicated that two of the variables have close association with the bank loan and advances. It is however probable that given loan and advances process, total deposit and total assets of the bank had values for compensation management and performance appraisal and may have organizational objectives. Under tone which may be more appreciated individuals who might have some similarities with values practices of the credit department. Further, the institutions studied must have made their loan and advance process and enhance deposits and total assets of the bank in addition to these employees are fully aware of their

expectations right from the approval and selection process, thereby have the right to accept or decline the loan application form or offer.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION.

5.1 Summary

The researcher has tried to assess the above research questions, and has strong belief that the bank share strong commitment to the consistent application of all credit policies and procedures of the bank to ensure the welfare of sound credit practices, as well as, compliance with all relevant provisions of the National Bank of Ethiopia.

The bank enable to rectified the discrepancies and dalliance of loan and advances repayment and wealth maximization of stakeholders, the bank has positive feedback on to the practice of loan and advances process based on the NBE Standard, the convenience of due payment, consultation and advise to the borrowers, but there are negative feedback on loan and advances process create customers satisfaction, and the process of loan and advances timely and efficiently. This is the main reason for reduction of the bank performance related to the peer groups.

According to the research findings, advise to the bank all applicants to review the following information in order to insure that all required documentation is complete. Please note that providing us with all required documentation will enable us to process applications timely and efficiently.

Loan application, License, Temporary (permanent work permit) for foreign investors, Investment certificate, Principal registration certificate, Tax payer identification number (TIN) Land Contractual lease agreement that extends to 5 years after the full payoff period of the loan (if applicable) Title deed certificate or proof of ownership Engineering for industrial project Approved blue print of architectural plan, Approved blue print of structural plan, Approved blue print of sanitary plan, Approved blue print of electrical plan, Bill of quantity (in soft and hard copies), Approved site plan, Constriction Permit, Take off sheet, Approved Constriction plan (blue print), Bill of quantity (in soft and hard copies), Approved site plan, Constructions permit (for urban area) For Agro Processing Project, all requirements listed for urban area, all requirements listed for rural area, Pro-forma invoices, One pro-forma invoices during disbursement or procurement, however, if the purchase material is available in the bank's data

base price, and if its price is not higher than the data base price, it will be treated with the supply of one pro forma invoice. If the purchase material is not available in the bank's database, three pro forma invoices are required for disbursement. Never-the less, any procurement that worth more than a million dollar will be treated as per the directive of the national bank of Ethiopia. Single pro-forma invoice (for solo suppliers or manufacture). The pro-forma invoice: should have specification and catalog including country of origin. Should be presented from legitimate suppliers or manufactures. Should be of the same capacity and quality, Should be for major items, for turnkey supplies bid results should be submit (if applicable)

5.2 CONCLUSIONS

In the second part of the research findings, classified in to two halves because of the issues that raised was different, firstly, the bank keeps customers security earnestly and properly it is a good example for other banks, because if there is a problem or mischievous on the handling of the collateral the bank never ever collect its borrowed money plus interest on time due to lack of confidential collateral. But there are some problems with the values of the asset that the bank acquired some are exaggerated and some are understated it creates the borrowers definitely defaulted, if exaggerated the borrowers don't think to made repayment on time, if understated the borrowers thinking about shortage of working capital requirements, so that they prefer post phone their periodic repayments.

5.3 RECOMMENDATIONS

- The convenience of due payment, consultation and advice to the borrowers, should be corrected.
- The bank must respect the basic NBE loan approval standards for all prospective customers without discrimination,
- Under the branch level loan treatment is limited, the manager is obliged to write a letter to borrowers when they became defaulted, and sent the customer file to head office.
- The bank must respect loan and advances preconditions with the help of internal -moderate control divisions' loan application contains all mortgage securities or pledged to the bank insured and the policy endorsed, and kept under locked key, and promptly registered in order to

safeguard assets and minimizing discrepancies.

-In order to safeguard stakeholders wealth maximization there must be immediate action and consulting services not only the customers but also the credit officers,

-The share of using loan and advances in the bank of Abyssinia very strongly increasing by 38.5% total assets and 80.4% total deposits, therefore a unit change in loan and advance has a positive relationship on enhances of the amount of assets and deposits of the bank.

-They must be developed relationship with the borrowers in related to dual benefits because of the bank acquire the loan provision with the balance of non-performing loans, so that the provision amount reduces the bank's profit due to this problem.

-The bank should support to the borrowers problem and should change the loan and advance managing style to solve the problem and need to create wealth maximization of customers as well as stakeholders.

-So that the Branches should with sizable contribution to the bad loan portfolio should take serious precaution and act to ensure their reduction as soon as possible.

- Put in place moderate follow-up and monitoring system to monitor loan performance and check continued viability of operations, Develop and implement corporate code of conduct, fraud prevention policy, and proper check-and-balance in credit decision making processes, and

- Identify early warning signals, if any, and initiate remedial measures thereby averting loss from possible default,

- Exert effort to develop borrowers' culture towards credit, and to shape employees involved in credit operations towards ensuring integrity, making them free of undesired internal and external pressures.

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APPENDIX I

St. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES POST GRADUATE PROGRAM

This is the questionnaire designed to collect data on

Bank of Abyssinia Loan and Advances

Survey questionnaire on Loan and Advance in Bank of Abyssinia Prepared for employees of the bank and customers.

Dear respondents;

Your genuine response is solely used for academic research purpose only and the data will be treated as most confidential, please mark your response by using tick mark by the provided according to your choice,

My name is Alemakef Yitbarek Habtemariam, a graduate student of Masters in Accounting and Finance (MBA) at St. Mary's University, department of accounting and Finance at SGS CAMPUS and, the objective of the study is to investigate the relationship between the dependent variable and independent variables of items.

Should you wish to contact me for any reason or question regarding this issue, feel free to call me on telephone +251911428310, or mail me at yitbalem@gmail.com.

Thanks for your diligent cooperation in advance.

PART I Demographic information

Please put (×) in the field of your choice

1.1. Age

- 1.1.1 18_29
- 1.1.2. 30_45
- 11.1.3. 46_60
- 1.1.4. 61 and above

1.2. Sex

- 1.2.1. Female
- 1.2.2. Male

1.3. Level of Education

- 1.3.1. Secondary School complete
- 1.3.2 .College Diploma
- 1.3.3. BA/BSC
- 1.3.4. MA/MSC and above

1.4. Field of study in the most recent Formal Education.

- 1.4.1. Information/Computer science
- 1.4.2. Management
- 1.4.3. Accounting
- 1.4.4. Economics
- 1.4.5. Other Specify.

1.5. Year of Experience in Bank of Abyssinia

- 1.5.1. 1_5
- 1.5.2. 6_10
- 1.5.3. 11_15
- 1.5.4 Grater than 15

1.6. Position Held

- 1.6.1. Manager
- 1.6.2. Deputy Manager
- 1.6.3. Credit Officer
- 1.6.4. Audit officer

PART II Loan and advance in Bank of Abyssinia.

Instruction, this questionnaire provides a description of the loan and advance practice in your organization,

KEY:

- 1. Strongly Disagree
- 2. Disagree
- 3. Neutral
- 4. Agree
- 5. Strongly Agree

RESEARCH QUESTIONS

No.	Statement/description of loan and advance	1	2	3	4	5
1.	The lending policy or directive respect the NBE directives?	y	e	s	n	o
1.	The bank loan approval and selection process keeps the NBE standard					
2	Customers should understand and communicated that their due payments.					
3	The bank/branch should consult and advise the borrowers With prior to their deterioration.					
2.	The bank practice the credit policy timely and efficiently?	y	e	s	n	o
4	The bank/branch processes the loan timely and efficiently.					
5	The loan approval process deserves customers satisfaction					
6	The bank earnestly keeping the loan and advances collateral securities.					
7	The value of the collateral assets of a given loan underestimated					
8	The loan and advances collateral value exaggerated for a given loan.					
3	The bank provides large amount for small collateral or not ?	y	e	s	n	o

9	The bank earnestly believes that the existing estimation errors leads customers defaulted.					
10	There is commissions for the officers and there is beneficiary taking advantages on the credit process					
4	The bank update frequently loan discrepancies?	y	e	s	n	o
11	There are discrepancies on the repayment process of loan in your branch					
12	There are loans approved and granted without any preconditions like insurance, Collateral security, marriage Certificate.					
13	The unforeseeable and inconvenience on the business industry needs M o d e r a t e c o n t r o l m e c h a n i s m .					
5	The bank control any change in business, economic, political environment?	y	e	s	n	o
14	The share of NPL at the branch level have increased tremendously					
15	Does the branch amend loan and advance system error					
16	NPL is the impact of loan and advance on the general expense of the bank					
17	The impact of loan and advances on the wealth M a x i m i z a t i o n o f t h e s t a k e h o l d e r s .					
18	The bank taking immediate action on the performance of the customers.					
19	There is regular guidance and consultation to the customers					
6	The bank provides consultancy service to the borrowers?	y	e	s	n	o
20	The relationship between the bank and borrowers is based on dual benefit					
21	The balance of System suspense affects performances of the bank					

PART III Additional explanations

1. If your answer for question 1 part II is no what is your justifications

a.-----

b.-----

c.-----

2. If your answer for question 4 part II is no what is your justifications

a.-----

b.

c.

3. If your answer for question 7 part II is no what is your justifications

a.

b.

c.

4. If your answer for question 10 part II is no what is your justifications

a.

b.

c.

5. If your answer for question 14 part II is no what is your justifications

a.

b.

c.

6. If your answer for question 19 part II is no what is your justifications

a.

b.

c.

7. What is institutional arrangement do you propose for managing and regulating the loan and advances process?

a.

b.

c.

8. In your opinion what is the major opportunities in enhancing the profit of loan and advance?

a.

b.

c.

9. What are the major challenges in the process of loan and advances process?

a.

b.

c.

10. Other comments

Thank you again for your patience and allow me your precious time.

FREQUENCIES VARIABLES=LOADV CASH CAPNRES TOTASS TOTDEP TOTLIAB
SYSUSP

/STATISTICS=STDDEV VARIANCE MINIMUM MAXIMUM MEAN

/BARCHART PERCENT

/ORDER=ANALYSIS.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.781a	.610	.588	.54566

a. Predictors: (Constant), CASH AMOUNT OF LIQUID CASH, TOTLIAB TOTAL LIABILITIES, SYSUSP SYSTEM SUSPENSE, CAPNRES TOTAL CAPITAL AND RESERVE , TOTASS TOTAL ASSETS, TOTDEP TOTAL DEPOSIT

ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	48.051	6	8.008	26.897	.000b
	Residual	30.667	103	.298		
	Total	78.718	109			

a. Dependent Variable: LOADV AMOUNT OF LOAN AND ADVANCES

b. Predictors: (Constant), CASH AMOUNT OF LIQUID CASH, TOTLIAB TOTAL LIABILITIES, SYSUSP SYSTEM SUSPENSE, CAPNRES TOTAL CAPITAL AND RESERVE , TOTASS TOTAL ASSETS, TOTDEP TOTAL DEPOSIT

Coefficientsa

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-4.161	1.371		-3.034	.003
1 CAPNRES TOTAL CAPITAL AND RESERVE	-.075	.076	-.068	-.991	.324
1 SYSUSP SYSTEM SUSPENSE	.048	.053	.060	.900	.370
1 TOTASS TOTAL ASSETS	.385	.146	.241	2.645	.009
1 TOTDEP TOTAL DEPOSIT	.804	.164	.460	4.905	.000
1 TOTLIAB TOTAL LIABILITIES	.164	.102	.160	1.603	.112
1 CASH AMOUNT OF LIQUID CASH	.212	.189	.078	1.117	.267

a. Dependent Variable: LOADV AMOUNT OF LOAN AND ADVANCES

CORRELATIONS

/VARIABLES=LOADV CASH CAPNRES SYSUSP TOTASS TOTDEP TOTLIAB

/PRINT=TWOTAIL NOSIG

/MISSING=PAIRWISE.

Descriptive Statistics

	Mean	Std. Deviation	N
LOADV AMOUNT OF LOAN AND ADVANCES	7.2576	.84981	110
CAPNRES TOTAL CAPITAL AND RESERVE	6.4160	.77479	110
SYSUSP SYSTEM SUSPENSE	1.4276	1.07178	110
TOTASS TOTAL ASSETS	8.2439	.53304	110
TOTDEP TOTAL DEPOSIT	7.7488	.48649	110
TOTLIAB TOTAL LIABILITIES	6.1359	.83319	110
CASH AMOUNT OF LIQUID CASH	6.7225	.31283	110

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	CASH AMOUNT OF LIQUID CASH, TOTLIAB TOTAL LIABILITIES, SYSUSP SYSTEM SUSPENSE, CAPNRES TOTAL CAPITAL AND RESERVE , TOTASS TOTAL ASSETS, TOTDEP TOTAL DEPOSIT ^b		. Enter

a. Dependent Variable: LOADV AMOUNT OF LOAN AND ADVANCES

b. All requested variables entered.

[DataSet1] C:\Users\7020pro32bit\Desktop \LOADV.sav

Frequencies

Statistics

	LOADV AMOUNT OF LOAN AND ADVANCES	CASH AMOUNT OF LIQUID CASH	CAPNRES TOTAL CAPITAL AND RESERVE	TOTASS TOTAL ASSETS	TOTDEP TOTAL DEPOSIT	TOTLIAB TOTAL LIABILITY
N	Valid 110	110	110	110	110	110
	Missing 0	0	0	0	0	0
Mean	7.2576	6.7225	6.4160	8.2439	7.7488	6.13
Std. Deviation	.84981	.31283	.77479	.53304	.48649	.833
Variance	.722	.098	.600	.284	.237	.6
Minimum	4.90	5.94	4.05	7.07	6.64	4
Maximum	9.94	7.79	9.26	9.77	9.25	8

FREQUENCY TABLE

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RELIABILITY

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/scale('all variables') all

/model=alpha.

CORRELATIONS

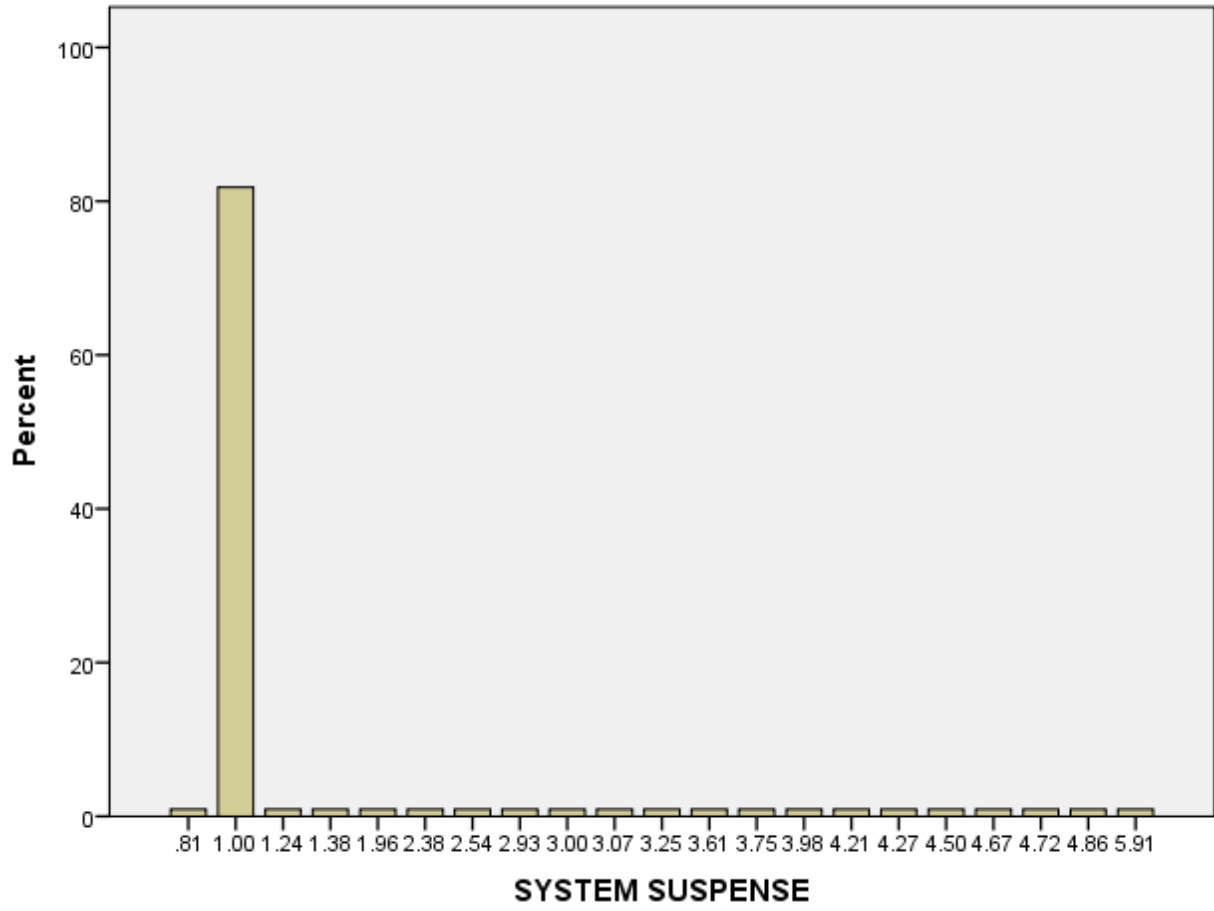
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/print=twotailnosig

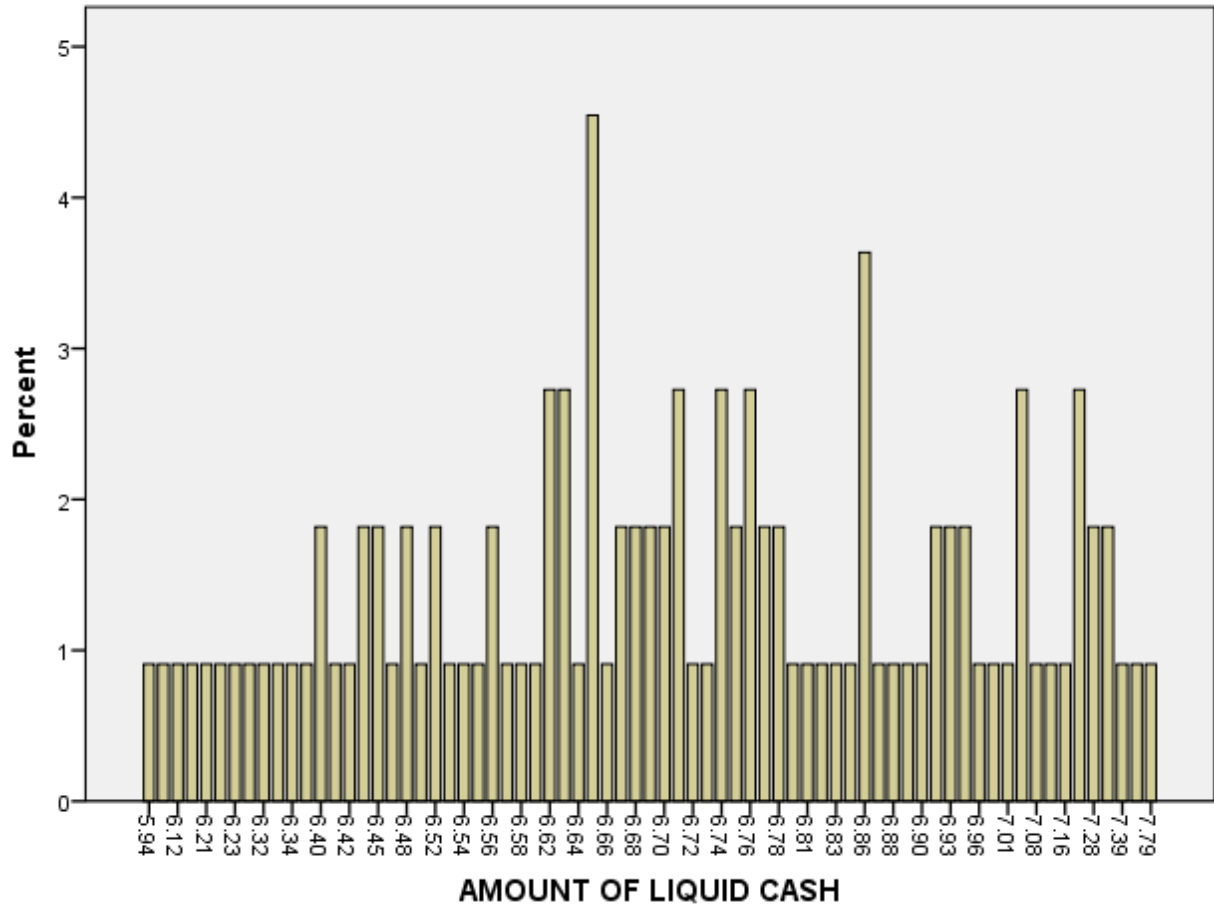
	CASH AMOUNT OF LIQUID CASH	.197	.210	.171	.285	.139	-.059	
Sig. (1-tailed)	LOADV AMOUNT OF LOAN AND ADVANCES	.	.002	.000	.000	.000	.000	
	CAPNRES TOTAL CAPITAL AND RESERVE	.002	.	.009	.000	.000	.000	
	SYSUSP SYSTEM SUSPENSE	.000	.009	.	.000	.000	.000	
	TOTASS TOTAL ASSETS	.000	.000	.000	.	.000	.000	
	TOTDEP TOTAL DEPOSIT	.000	.000	.000	.000	.	.000	
	TOTLIAB TOTAL LIABILITIES	.000	.000	.000	.000	.000	.	
	CASH AMOUNT OF LIQUID CASH	.020	.014	.037	.001	.074	.268	

N	LOADV AMOUNT OF LOAN AND ADVANC ES	110	110	110	110	110	110
	CAPNRES TOTAL CAPITAL AND RESERVE	110	110	110	110	110	110
	SYSUSP SYSTEM SUSPENS E	110	110	110	110	110	110
	TOTASS TOTAL ASSETS	110	110	110	110	110	110
	TOTDEP TOTAL DEPOSIT	110	110	110	110	110	110
	TOTLIAB TOTAL LIABILITI ES	110	110	110	110	110	110
	CASH AMOUNT OF LIQUID CASH	110	110	110	110	110	110

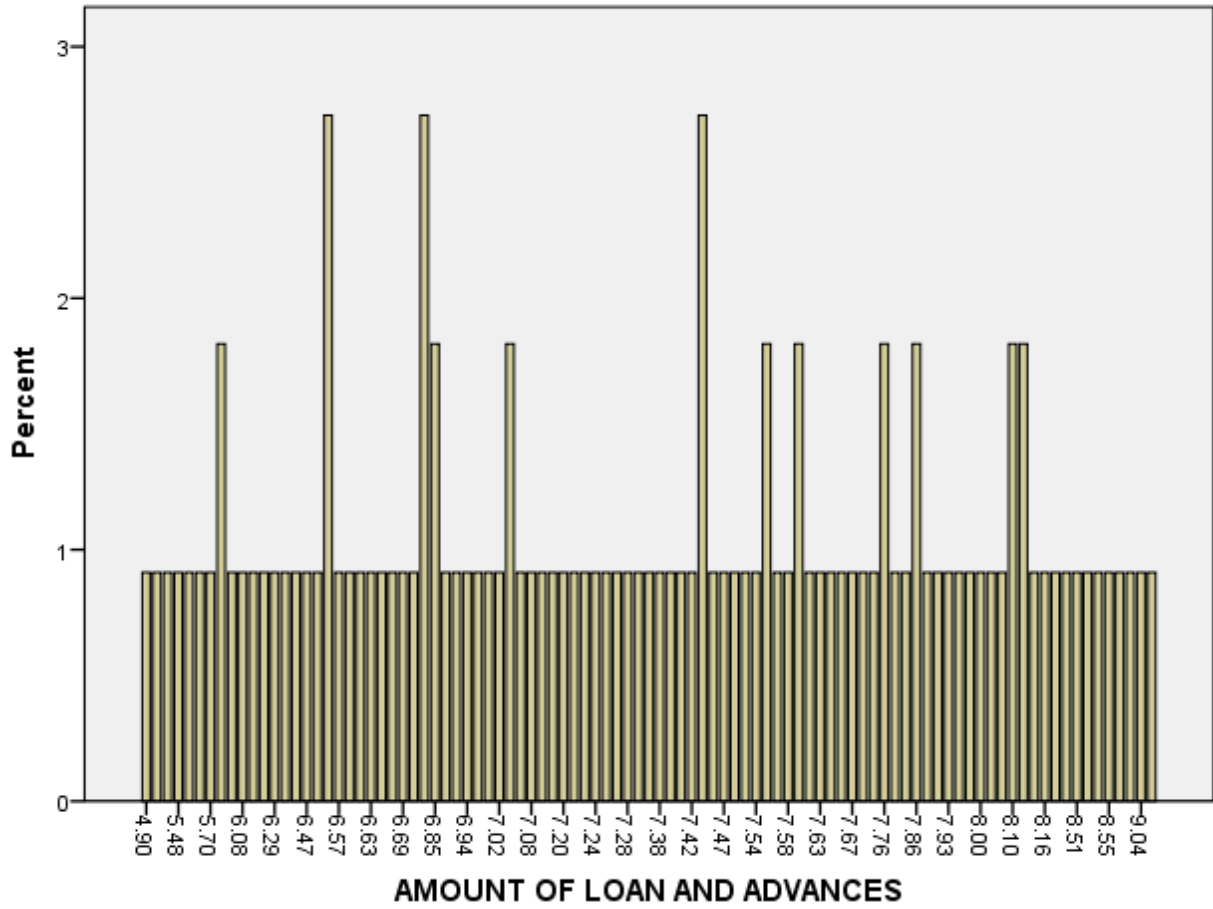
SYSTEM SUSPENSE



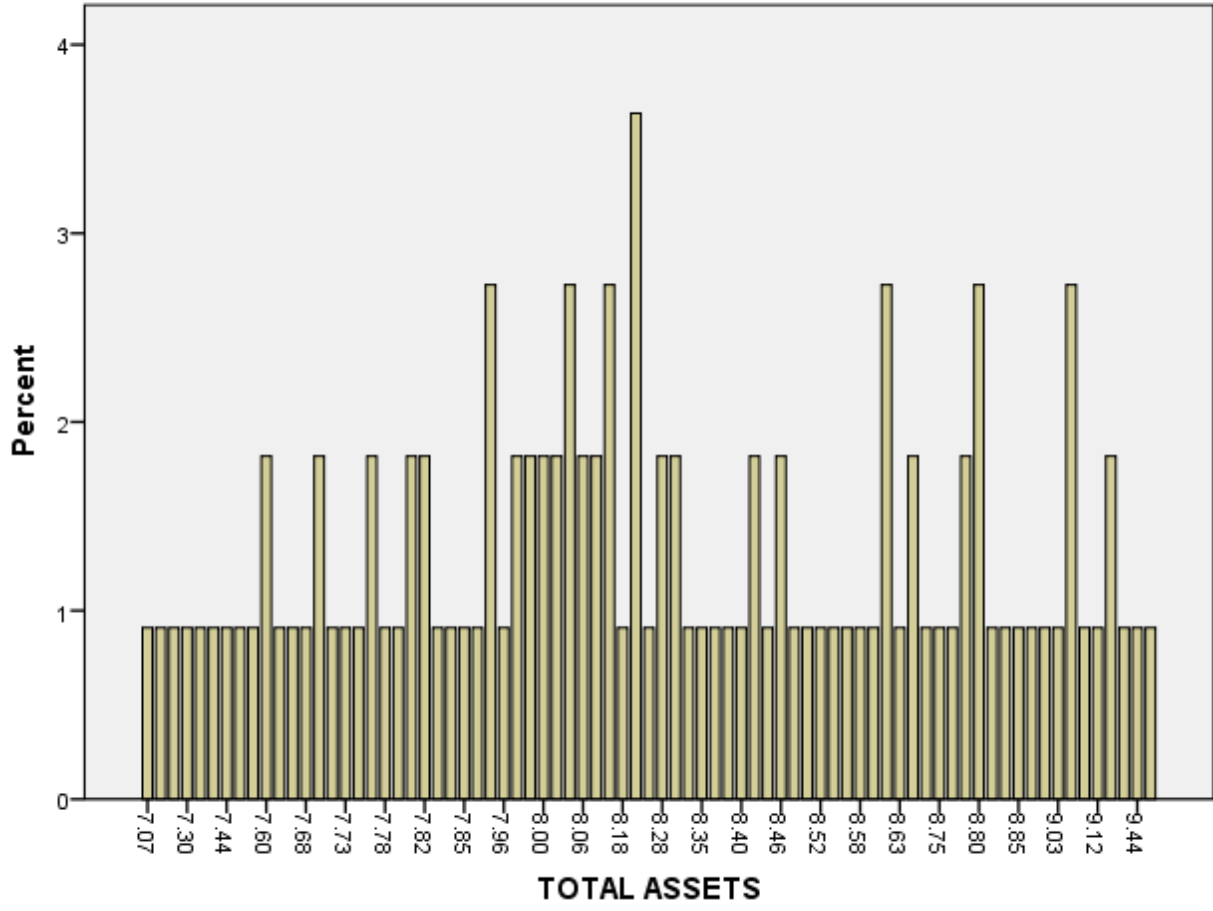
AMOUNT OF LIQUID CASH



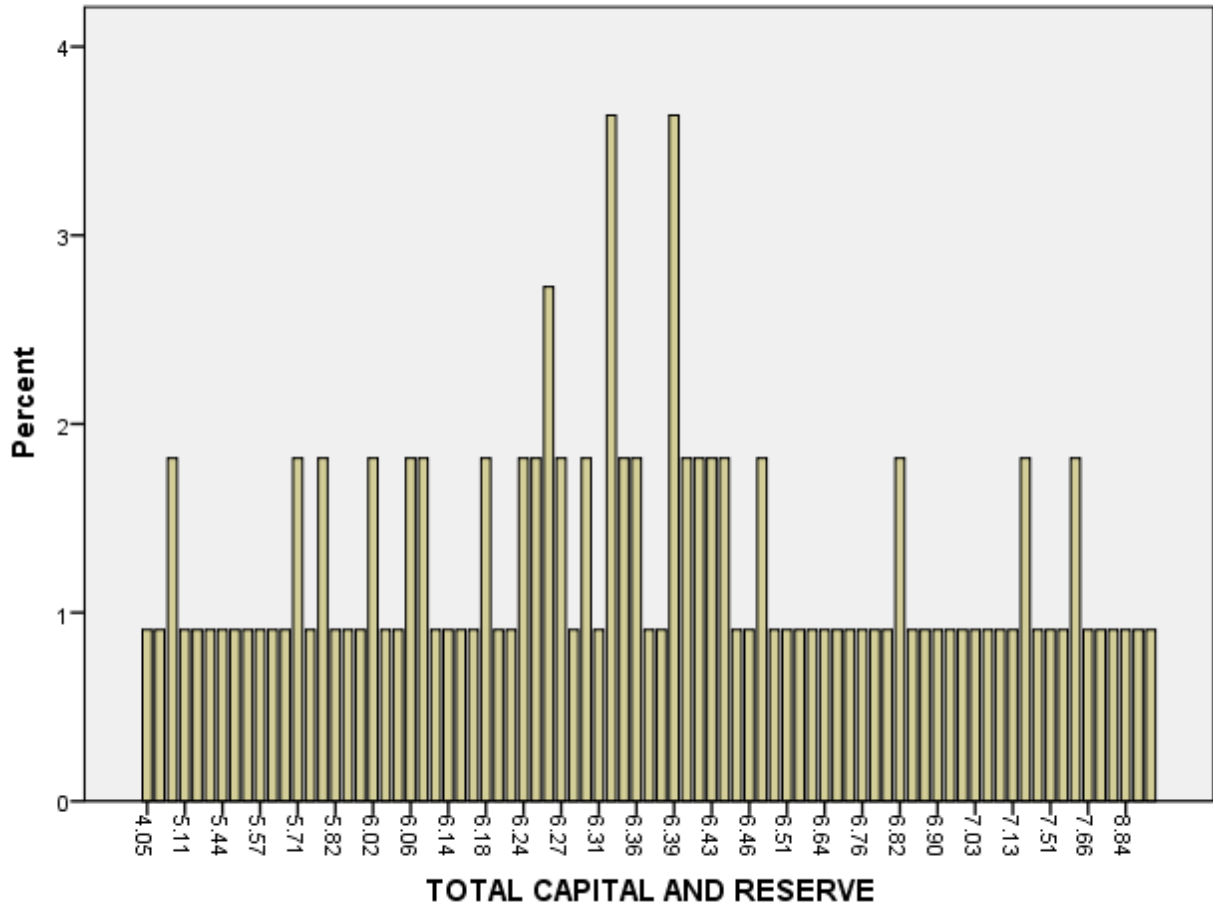
AMOUNT OF LOAN AND ADVANCES



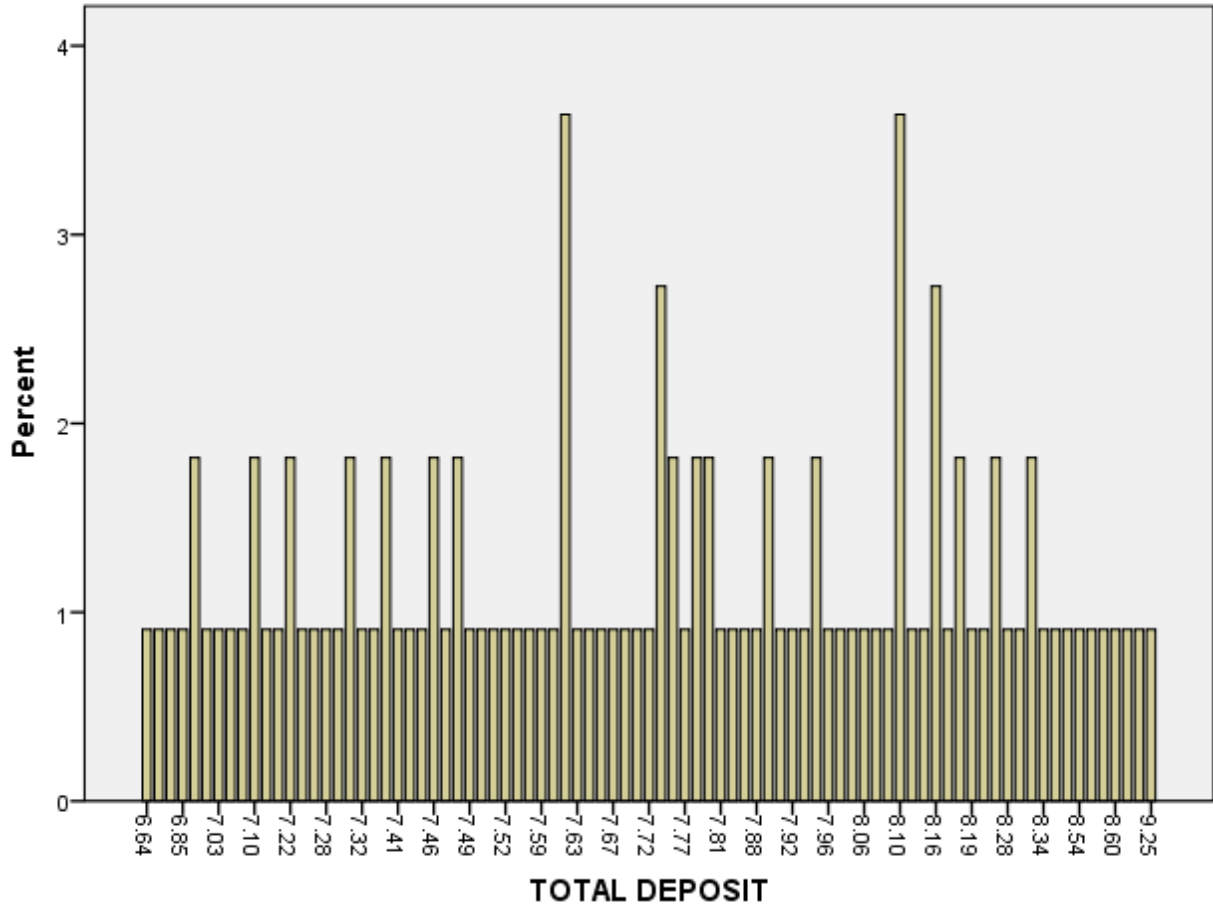
TOTAL ASSETS



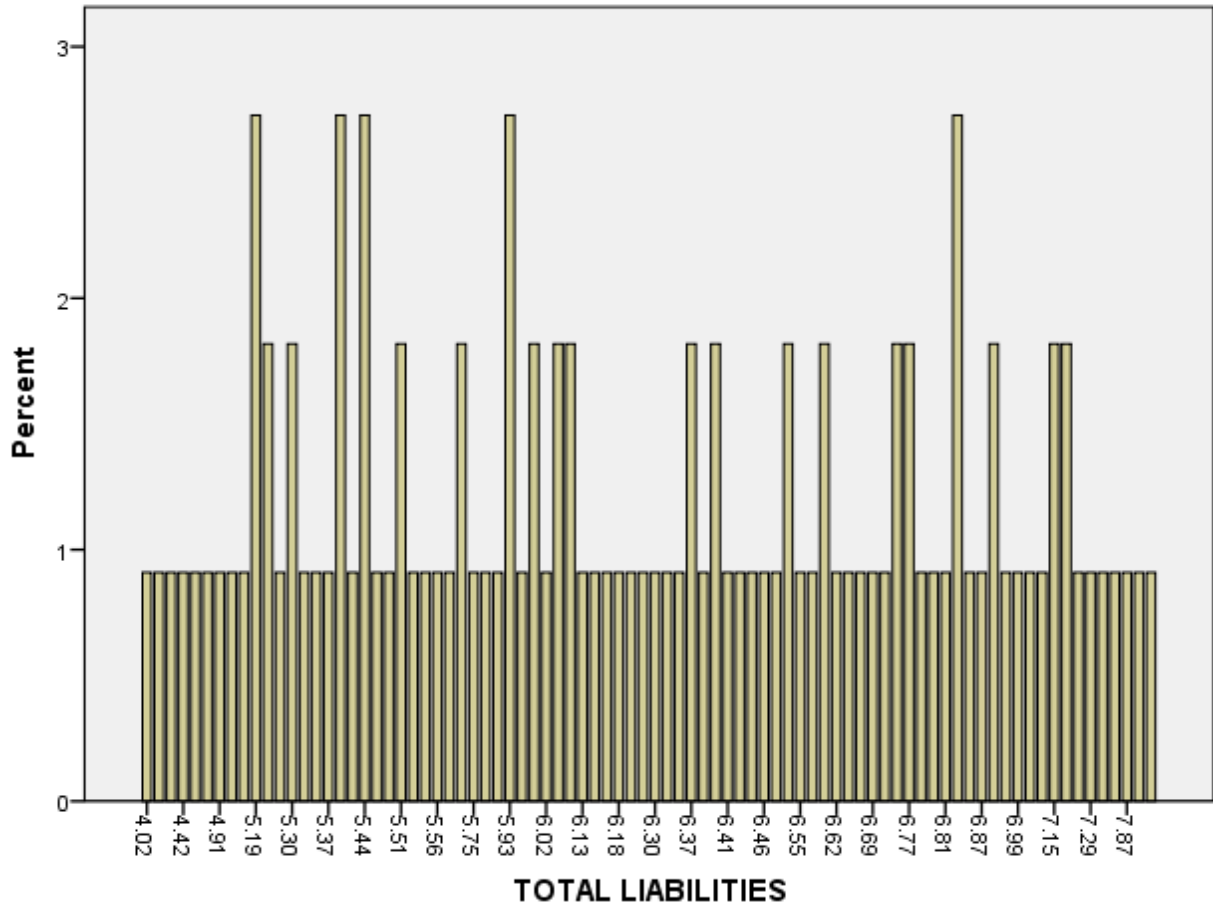
TOTAL CAPITAL AND RESERVE



TOTAL DEPOSIT



TOTAL LIABILITIES



Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
AMEND DOES THE BRANCH AMEND LOAN SYSTEM ERROR	104	1	5	2.88	1.040
CHANGE THE BANK CONTROL CHANGES IN BUSINESS INDUSTRY	104	1	5	1.99	1.203
CONSULT CUSTOMERS CONSULTED BEFORE DETERIORATED	104	1	5	3.26	.955
CONTROL IS THERE MODERATE CONTROL MECHANISM	104	1	5	3.15	1.147
DEFAULTED THE ESTIMATION ERROR LEADS CUSTOMER DEFAULTED	104	1	5	2.87	1.262
DISCRIP THE BANK UPDATE LOAN DISCRIPANCIES DUEPAY	104	1	3	1.12	.469
CUSTOMERS COMMUNICATED DUEPAYMENT	98	2	4	3.49	.646
EDULEV LEVEL OF EDUCATION	104	3	3	3.00	.000

COMMISSI THERE IS BENEFICIARY TAKING ADVANTAGE ON THE LOAN PROCESS	104	0	5	2.55	1.339
EXPENSE NPL HAS IMPACT ON THE GENERAL EXPENSE OF THE BANK	104	1	5	3.20	1.161
EXPERIN WORK EXPERIENCE	104	1	4	2.00	1.005
FIELDOFS FIELD OF STUDY	104	1	3	2.37	.825
GUIDANCE IS THERE REGULAR GUIDANCE AND CONSULTATION FOR BORROWERS	98	1	5	3.00	.984
IMMEDIAT THE BANK TAKES IMMEDIATE ACTION ON BORROWERS	104	2	5	3.33	.950
PERFORMANCES LARGE THE BANK PROVIDES LARGE AMOUNT FOR SMALL	98	1	5	2.13	1.090
COLLATERAL LENDPOL THE LENDING POLICY FOLLOWS NBE RULES	104	0	3	1.20	.609
NBEDIRC THE BANK FOLLOWS THE NBE DIRECTIVES	104	1	5	3.27	1.159

NPL NPL AMOUNT OF THE BRANCH INCREASES	104	1	5	2.81	1.124
TREMENDOUSLY OVEREST THE COLLATERAL VALUE	104	1	5	2.73	1.256
OVERESTIMATED PRECOND THE LOAN APPROVAL PROCESS KEEPS LOAN	104	1	5	2.96	1.461
PRECONDITIONS SATISFY THE LOAN APPROVAL PROCESS	104	1	5	3.23	1.168
DESERVES CUSTOMER SATISFACTION SECURITY THE BANK KEEPS THE LOAN	98	2	5	3.36	1.115
COLLATERAL SECURITY TIMELY THE BRANCH PROCESS THE LOAN TIMELY AND EFFICIENTLY	104	1	5	2.99	1.057
Valid N (listwise)	98				

UNDEREST THE COLLATERAL VALUE UNDERESTIMATED

		Freque ncy	Percent	Valid Percent	Cumulative Percent
Valid	1 Strongly Disagree	16	15.4	16.3	16.3
	2 Disagree	36	34.6	36.7	53.1

	3 Neutral	14	13.5	14.3	67.3
	4 Agree	12	11.5	12.2	79.6
	5 Strongly agree	20	19.2	20.4	100.0
	Total	98	94.2	100.0	
Missing	System	6	5.8		
Total		104	100.0		

**SYSUSP BALANCE OF SYSTEM SUSPENSE AFFECTS THE
PERFORMANCE OF THE BANK**

		Frequenc y	Percent	Valid Percent	Cumulative Percent
	1 Strongly Disagree	6	5.8	6.6	6.6
	2 Disagree	15	14.4	16.5	23.1
Valid	3 Neutral	8	7.7	8.8	31.9
	4 Agree	41	39.4	45.1	76.9
	5 Strongly agree	21	20.2	23.1	100.0
	Total	91	87.5	100.0	
Missing	System	13	12.5		
Total		104	100.0		

SEX SEX/GENDER

		Frequenc y	Percent	Valid Percent	Cumulative Percent
	1 FEMALE	28	26.9	26.9	26.9
Valid	2 MALE	76	73.1	73.1	100.0
	Total	104	100.0	100.0	

**SERVICE THE BANK PROVIDES CONSULTATION
SERVICE FOR BORROWERS**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 YES	26	25.0	26.5	26.5
Valid 2 NO	64	61.5	65.3	91.8
Valid 3	8	7.7	8.2	100.0
Total	98	94.2	100.0	
Missing System	6	5.8		
Total	104	100.0		

**REVIEW THE BANK REVISION THE CREDIT POLICY
REGULARLY**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 YES	54	51.9	51.9	51.9
Valid 2 NO	8	7.7	7.7	59.6
Valid 3	28	26.9	26.9	86.5
Valid 4	14	13.5	13.5	100.0
Total	104	100.0	100.0	

**REVIEW THE BANK REVISION THE CREDIT POLICY
REGULARLY**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 YES	54	51.9	51.9	51.9
Valid 2 NO	8	7.7	7.7	59.6
Valid 3	28	26.9	26.9	86.5
Valid 4	14	13.5	13.5	100.0
Total	104	100.0	100.0	

**SECURITY THE BANK KEEPS THE LOAN COLLATERAL
SECURITY**

		Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid	2 Disagree	28	26.9	28.6	28.6
	3 Neutral	28	26.9	28.6	57.1
	4 Agree	21	20.2	21.4	78.6
	5 Strongly agree	21	20.2	21.4	100.0
	Total	98	94.2	100.0	
Missing System	6	5.8			
Total	104	100.0			

**RELATION THE RELATIONSHIP BETWEEN THE BANK AND
BORROWERS BASED ON DUAL BENEFIT**

		Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid	1 Strongly Disagree	16	15.4	17.6	17.6
	3 Neutral	19	18.3	20.9	38.5
	4 Agree	28	26.9	30.8	69.2
	5 Strongly agree	28	26.9	30.8	100.0
	Total	91	87.5	100.0	
Missing System	13	12.5			
Total	104	100.0			

**PRECOND THE LOAN APPROVAL PROCESS KEEPS LOAN
PRECONDITIONS**

		Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid	1 Strongly Disagree	21	20.2	20.2	20.2
	2 Disagree	27	26.0	26.0	46.2
	3 Neutral	13	12.5	12.5	58.7

4 Agree	21	20.2	20.2	78.8
5 Strongly agree	22	21.2	21.2	100.0
Total	104	100.0	100.0	

POSITION POSITION ON THE BANK

	Frequenc y	Percent	Valid Percent	Cumulative Percent
1 BRANCH MANAGER	60	57.7	57.7	57.7
Valid 2 CSM/ DEPUTY MANAGER	16	15.4	15.4	73.1
3 CREDIT OFFICER	7	6.7	6.7	79.8
4 AUDITOR	21	20.2	20.2	100.0
Total	104	100.0	100.0	

OVEREST THE COLLATERAL VALUE OVERESTIMATED

	Frequenc y	Percent	Valid Percent	Cumulative Percent
1 Strongly Disagree	21	20.2	20.2	20.2
2 Disagree	28	26.9	26.9	47.1
Valid 3 Neutral	21	20.2	20.2	67.3
4 Agree	26	25.0	25.0	92.3
5 Strongly agree	8	7.7	7.7	100.0
Total	104	100.0	100.0	

**NPL NPL AMOUNT OF THE BRANCH INCREASES
TREMENDOUSLY**

	Frequency	Percent	Valid Percent	Cumulative Percent
1 Strongly Disagree	14	13.5	13.5	13.5
2 Disagree	28	26.9	26.9	40.4
Valid 3 Neutral	33	31.7	31.7	72.1
4 Agree	22	21.2	21.2	93.3
5 Strongly agree	7	6.7	6.7	100.0
Total	104	100.0	100.0	

**LENDPOL THE LENDING POLICY FOLLOWS NBE
RULES**

	Frequency	Percent	Valid Percent	Cumulative Percent
0	6	5.8	5.8	5.8
1 YES	82	78.8	78.8	84.6
Valid 2 NO	8	7.7	7.7	92.3
3	8	7.7	7.7	100.0
Total	104	100.0	100.0	

**LARGE THE BANK PROVIDES LARGE AMOUNT FOR
SMALL COLLATERAL**

	Frequency	Percent	Valid Percent	Cumulative Percent
1 YES	27	26.0	27.6	27.6
2 NO	50	48.1	51.0	78.6
Valid 3	8	7.7	8.2	86.7
4	7	6.7	7.1	93.9
5	6	5.8	6.1	100.0
Total	98	94.2	100.0	
Missing System	6	5.8		
Total	104	100.0		

**IMMEDIAT THE BANK TAKES IMMEDIATE ACTION ON
BORROWERS PERFORMANCES**

	Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid 2 Disagree	28	26.9	26.9	26.9
3 Neutral	21	20.2	20.2	47.1
4 Agree	48	46.2	46.2	93.3
5 Strongly agree	7	6.7	6.7	100.0
Total	104	100.0	100.0	

**GUIDANCE IS THERE REGULAR GUIDANCE AND CONSULTATION
FOR BORROWERS**

	Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Disagree	6	5.8	6.1	6.1
2 Disagree	22	21.2	22.4	28.6
3 Neutral	43	41.3	43.9	72.4
4 Agree	20	19.2	20.4	92.9
5 Strongly agree	7	6.7	7.1	100.0
Total	98	94.2	100.0	
Missing System	6	5.8		
Total	104	100.0		

FIELD OF STUDY

	Frequency	Percent	Valid Percent	Cumulative Percent
1 IT /COMPUTER SCIENCE	23	22.1	22.1	22.1
Valid 2 MANAGEMENT	20	19.2	19.2	41.3
3 ACCOUNTING	61	58.7	58.7	100.0
Total	104	100.0	100.0	

EXPERIN WORK EXPERIENCE

	Frequency	Percent	Valid Percent	Cumulative Percent
1 1-5	37	35.6	35.6	35.6
2 6-10	45	43.3	43.3	78.8
Valid 3 11-15	7	6.7	6.7	85.6
4 >16	15	14.4	14.4	100.0
Total	104	100.0	100.0	

EXPENSE NPL HAS IMPACT ON THE GENERAL EXPENSE OF THE BANK

	Frequency	Percent	Valid Percent	Cumulative Percent
1 Strongly Disagree	6	5.8	5.8	5.8
2 Disagree	22	21.2	21.2	26.9
Valid 3 Neutral	42	40.4	40.4	67.3
4 Agree	13	12.5	12.5	79.8
5 Strongly agree	21	20.2	20.2	100.0
Total	104	100.0	100.0	

EDULEV LEVEL OF EDUCATION

	Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid 3 BA/BSC	104	100.0	100.0	100.0

DUEPAY CUSTOMERS COMMUNICATED DUEPAYMENT

	Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid 2 Disagree	8	7.7	8.2	8.2
Valid 3 Neutral	34	32.7	34.7	42.9
Valid 4 Agree	56	53.8	57.1	100.0
Total	98	94.2	100.0	
Missing System	6	5.8		
Total	104	100.0		

DISCRIP THE BANK UPDATE LOAN DISCRIPANCIES

	Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid 1 YES	98	94.2	94.2	94.2
Valid 3	6	5.8	5.8	100.0
Total	104	100.0	100.0	

**DEFAULTED THE ESTIMATION ERROR LEADS CUSTOMER
DEFAULTED**

	Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Disagree	23	22.1	22.1	22.1
Valid 2 Disagree	15	14.4	14.4	36.5
Valid 3 Neutral	25	24.0	24.0	60.6

4 Agree	35	33.7	33.7	94.2
5 Strongly agree	6	5.8	5.8	100.0
Total	104	100.0	100.0	

CONTROL IS THERE MODERATE CONTROL MECHANISM

	Frequency	Percent	Valid Percent	Cumulative Percent
1 Strongly Disagree	6	5.8	5.8	5.8
2 Disagree	28	26.9	26.9	32.7
Valid 3 Neutral	29	27.9	27.9	60.6
4 Agree	26	25.0	25.0	85.6
5 Strongly agree	15	14.4	14.4	100.0
Total	104	100.0	100.0	

CONSULT CUSTOMERS CONSULTED BEFORE DETERIORATED

	Frequency	Percent	Valid Percent	Cumulative Percent
1 Strongly Disagree	8	7.7	7.7	7.7
2 Disagree	6	5.8	5.8	13.5
Valid 3 Neutral	48	46.2	46.2	59.6
4 Agree	35	33.7	33.7	93.3
5 Strongly agree	7	6.7	6.7	100.0
Total	104	100.0	100.0	

AGE AGE OF RESPONDENTS

	Frequency	Percent	Valid Percent	Cumulative Percent
1 18-29	54	51.9	51.9	51.9
Valid 2 30-45	50	48.1	48.1	100.0
Total	104	100.0	100.0	

**BRANCH THERE IS REPAYMENT DISCRIPANCIES IN THE
BRANCH**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Disagree	7	6.7	6.7	6.7
2 Disagree	27	26.0	26.0	32.7
3 Neutral	29	27.9	27.9	60.6
4 Agree	41	39.4	39.4	100.0
Total	104	100.0	100.0	

**CHANGE THE BANK CONTROL CHANGES IN
BUSINESS INDUSTRY**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 YES	48	46.2	46.2	46.2
2 NO	29	27.9	27.9	74.0
3	14	13.5	13.5	87.5
4	6	5.8	5.8	93.3
5	7	6.7	6.7	100.0
Total	104	100.0	100.0	

**COMMISSIONERS THERE IS BENEFICIARY TAKING ADVANTAGE ON
THE LOAN PROCESS**

	Frequency	Percent	Valid Percent	Cumulative Percent
0	6	5.8	5.8	5.8
1 Strongly Disagree	21	20.2	20.2	26.0
2 Disagree	29	27.9	27.9	53.8
3 Neutral	14	13.5	13.5	67.3
4 Agree	28	26.9	26.9	94.2
5 Strongly agree	6	5.8	5.8	100.0
Total	104	100.0	100.0	

