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St. Mary's University, Ethiopia

School of Graduate Studies

Department of accounting and finance

Assessment of Credit Risk Management

(A Case Study of Commercial Bank of Ethiopia)

By

Medhin Moges

JUNE, 2016

ADDIS ABABA

ST.MARRY UNIVERSITY

School of Graduate Studies

Department of accounting and finance

Title: Assessment of Credit Risk Management in Commercial Bank of Ethiopia

BY:- Medhin Moges

Approved By: Examining Board

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Dean, School of Graduate	Signature	Date
______________________	____________	____________
Advisor	Signature	Date
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External Examiner	Signature	Date
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Internal Examiner	Signature	Date

ACKNOWLEDGEMENTS

First and for most I would like to thank the Almighty God for His help in all walk of my life.
I am heartily thankful to my advisor; Dr. Abebaw Kassie whose encouragement, and support from the preliminary to the concluding level enabled me to develop an understanding of the subject. He shared his knowledge and research experiences with me along with his time to help and ensure successful completion of my academic journey.

My appreciation also goes to the employees of the Bank for their valuable comments and their support in filling the questionnaires. All Branch managers and loan officers of the Bank helped me in administering the questionnaires and providing all the necessary information and documents without which this research project may not be successfully completed.

I am also highly indebted to all my staff that has encouraged me to step forward and successfully complete my study.

I would also like to thank Ato Grum Bekele , for his special assistance in administrating and collecting data .

Lastly, I am highly indebted to all people who helped me to successfully finalize this study.

Medhin Moges

ACRONYMS & ABBREVATIONS

BOD	Board of Directors
CAD	Cash against Document
CBE	Bank of Ethiopia
CEO	Chief Executive Officer
CIC	Credit Information Centre
CRM	Credit Risk Management
CRM	Credit Risk Management
EC	Calendar
EPRDF	Ethiopian People’s Revolutionary Democratic Party
FIS	Financial Institutions
GC	Gregorian calendar
LAF	Loan Approval Form
NBE	National Bank Ethiopia
NPL	None performing Loan
NPLS	Non Performing Loans
NPTGL	Non Performing Loan to Gross Loan
NPTL	None performing to total Loan
OBC	Outward Bills for Collection
ODBC	Outward Documentary Bills for set for Collection
ZBA	Zero Balance Account

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Abstract

This study of credit management– A Case Study of Commercial bank of Ethiopia in Addis Ababa city is an attempt to indicate the importance of credit management in financial institutions such as commercial banks, micro finances and others. Thus, the rationale behind for undertaking this study is to deeply investigate the causes of credit management problems and to suggest the possible solutions that enable the bank to run its operation in a safest way as credit is known to be the main stay of all banks. The ability of banks to formulate and adhere to policies and procedures that promote credit quality and curtail non-performing loans is the means to survive in the stiff competition. Inability to create and build up quality loans and credit worthy customers leads to default risk and bankruptcy as well as hampers economic growth of a country. However, little work is done to search the ways and means that enable to quality loan creation and growth as well as to determine the relationship between the theories, concepts and credit policies both at country or regional level. The main objective of the study is to evaluate the performance of credit management of commercial bank of Ethiopia as compared to National Bank's requirements in comparison with its credit policy and procedures. For the purpose of the study both primary and secondary data are used. Primary data is collected using questionnaires. The secondary data is collected from reports, directives, and bulletins of the bank. Descriptive statistical tools are used in analyzing the data collected. Hence, the nature of the Study is descriptive. Finally, based on the findings possible recommendations are given. These include the issues impeding loan growth and rising loan clients complaint on the bank regarding the valuing of properties offered for collateral, lengthy of loan processing, amount of loan processed and approved, loan period, and discretionary limits affecting the performance of credit management.
Key words: - Credit risk Management, Basel Committee, Commercial Bank of Ethiopia

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Credit has been given various definitions by different authors. The international dictionary of management defines credit as "borrowing" up to certain amount given by financial institutions like the bank to an individual of an organization". A according to Ledger Wood.(1993), credit is derived from a Latin word, credre " which means „believe". From this, he defines credit as an expression of belief in a person's ability and willingness to repay a loan. Miller and Van Horne (1993), also consider credit from two definitions;

First, they see it as an asset and secondly as a liability. To them, credit represents a future receipts to the lender and as a future obligation to the borrower. They therefore defined credit as a transfer of title to real goods and services. Lidger Wood (1993) summarized it all by defining credit as borrowed funds with specified terms for repayment. Based on the above definition and explanation of credit, it can also be deduced as making or offering some advances under specified repayment terms by a bank to its customers with the belief that such loans shall be repaid as agreed.

Finance is either by internal or external injection of fund. Some traders and partnerships are frequently dependent in varying degrees on bank credit facilities as source of funds for the growth of their businesses.

According to Asiedu-Mante (2011) credit management involves establishing formal legitimate policies and procedures that will ensure that proper authorities grant credit, the credit goes to the right people. In addition, Asiedu-Mante indicated that the credit is granted for the productive activities or for businesses which are economically and technically viable, the appropriate size of credit is granted, the credit is recoverable and there is adequate flow of management information within the organization to monitor the credit activity.

Banks are financial institutions that are established for lending, borrowing, issuing, exchanging taking deposits, safe guarding or handling money under the laws and guidelines of a respective country. Among their activities, credit provision is the main product which banks provide to potential business entrepreneurs as a main source of generating income.

While providing credit as a main source of generating income, banks take in to account many considerations as a factor of credit management which helps them to minimize the risk of default that results in financial distress and bankruptcy. This is due to the reason that while banks providing credit they are exposed to risk of default (risk of interest and principal repayment) which need to be managed effectively to acquire the required level of loan growth and performance.

The types and degree of risks to which banks are exposed depends up on a number of factors such as its size, complexity of the business activities, volume etc. It is believed that generally banks face Credit, Market, Liquidity, Operational, Compliance/legal/ regulatory and reputation risks among which credit risk is known to have the adverse impact on profitability and growth. Hence, the success of most commercial banks lies on the achievements in credit management mitigating risk to the acceptable level (Hettihewa, 1997).

Charles Mensah (1999) stressed the importance of credit management as follows: credit management process deserves special emphasis because proper credit management greatly influences the success or failure of financial institution.

This indicates that credit provision should be accompanied by appropriate and attractive credit policies and procedures that enhance performance of credit management and protects the banking industry from failure.

Credit management means the total process of lending starting from inquiring potential borrowers up to recovering the amount granted. In the sense of banking sector, credit management is concerned with activities such as accepting application, loan appraisal, loan approval, monitoring, recovery of non-performing loans, etc(Shekhar,1985).

According to Hettihewa,(1997), Credit Management is extremely important as granting credit is considered to be the equivalent of investing in a customer.

However, payment of the debt should not be postponed for too long as delayed payments and bad debts are a cost to the company. Thus, Efficiency and effectiveness in performing each steps of loan processing using various parameters has significant effect on performance of credit management. when we see the Commercial bank of Ethiopia has been the most dominant bank in Ethiopia, since then, which seizes quasi-monopoly power with more than 900 branches country wide despite increasingly growing and mushrooming private banks in the country. However, its share in total deposit fell from 92% in 1996/97 to 64%in 2014, while its disbursed

credit fell from 75 to 57% in 2014. Commercial Bank of Ethiopia is serving as a major commercial bank in the country, providing short and long terms loan for major economic and infrastructure investments of the public sector. (www.combanketh.et).

Commercial bank of Ethiopia (CBE) is one of the financial institutions engaged in providing short and medium credit like other banks in the country. The bank has been playing a significant role in providing loans and advances to its customers. Hence the purpose of this study is to assess the performance of credit management problems and strengths of Commercial bank of Ethiopia (CBE) from different perspectives in light of the practices of modern credit management in financial institutions.

1.2 Background of the Banking Industry in Ethiopia

As a result of the agreement reached between Emperor MinilikII and Mr.MaGillivray, representative of the British owned National Bank of Egypt; modern banking in Ethiopia began in 1905 with the Bank of Abyssinia, a private company controlled by the Bank of Egypt In1931. It was liquidated and replaced by the Bank of Ethiopia which was the bank of issue until the Italian invasion of 1936. During the Italian occupation, Bank of Italy bank notes formed the legal tender. Under the subsequent British occupation, Ethiopia was briefly apart of the East Africa Currency Board.In1943; the State Bank of Ethiopia was established, with two departments performing the separate functions of an issuing bank and a commercial bank.In1963, these functions were formally separated and the National Bank of Ethiopia (the central and issuing bank) and the Commercial Bank of Ethiopia were formed.

In the period to 1974, several other financial institutions emerged including the state owned: The Agricultural and Industrial Development Bank (established largely to finance state owned enterprises); The Savings and Mortgage Corporation of Ethiopia; The Imperial Savings and Home Ownership Public Association (which provided savings and loan services).

Then Addis Bank S.C. and Commercial Bank of Ethiopia were merged by proclamation No.184 of August 2, 1980 to form the sole commercial bank in the country till the establishment of private commercial banks in 1994. The Commercial Bank of Ethiopia commenced its operation with a capital of Birr 65 million, 128 branches and 3,633 employees.

Following the fall of the Dergue regime in 1991 that ruled the country for 17 years under the rule of command economy, the EPRDF declared a liberal economy system. In line with this, Monetary and Banking proclamation of 1994 established the National Bank of Ethiopia as a judicial entity, separated from the government and outlined its main function. Monetary and Banking proclamation No.83/1994 and the Licensing and Supervision of Banking Business No.84/1994 laid down the legal basis for investment in the banking sector. Consequently after the proclamation issued private equity holders began to join the Ethiopian banking industry and as of (January, 2015) eighteen commercial banks are operated and out of this sixteen are private owned.

Monetary and Banking proclamation No.83/1994 and the Licensing and Supervision of Banking Business No.84/1994 laid down the legal basis for investment in the banking sector (www.nbe.gov.com).

1.3 Statement of the Problem

According to Shekhar, 1985, credit plays an important role in the lives of many people and in almost all industries that involve monetary investment in some form. Credit is mainly granted by banks including to several other functions like mobilizing deposits, local and international transfers, and currency exchange service.

Hence, the issue of credit management has a profound implication to that the micro and macro level. When credit is allocated poorly it raises costs to successful borrowers, erodes the fund, and reduces banks flexibility in redirecting towards alternative activities. Moreover, the more the credit, the higher is the risk associated with it. The problem of loan default, which is resulted from poor credit management, reduces the lending capacity of a bank. It also denies new applicants' access to credit as the bank’s cash flow management problems augment indirect proportion to the increasing default Problem. In other words, it may disturb the normal inflow and outflow of fund a bank has to keep staying in sustainable credit market (Onwudiegwu, 2001).

Hence, credit evaluation decisions are important for the financial institutions involved due to the high level of risk associated with wrong decision. The process of making credit evaluation decision is complex and unstructured. This complex and unstructured decision making process of credit evaluation needs proper credit management by the concerned banks (Shekhar, 1985).

Adequately managing credit in financial institutions (FIs) is critical for the survival and growth of the Financial Institutions (FIs). In the case of banks, the issue of credit management is of even greater concern because of the higher levels of perceived risks resulting from some of the characteristics of clients, business conditions and economic environment in which they find themselves.

The very nature of the banking business is so sensitive because more than 85% of their liability is deposits mobilized from depositors (Saunders and Cornett, 2005). Banks use these deposits to generate credit for their borrowers, which in fact is a revenue generating activity for most banks. This credit creation process, if not managed properly, exposes the banks to high default risk which might led to financial distress including bankruptcy. All the same, beside other services, banks must create credit for their clients following prudent credit management procedure to make some money, grow and survive in stiff competition at the market place. Sound credit management is a prerequisite for a financial institution's stability and continuing profitability, while deteriorating credit quality is the most frequent cause of poor financial performance and condition.

According to Gitman (1997), the probability of bad debts increases as credit standards are relaxed. Firms must therefore ensure that the management of receivables is efficient and effective .Such delays on collecting cash from debtors as they fall due has serious financial problems, increased bad debts and affects customer relations. If payment is made late, then profitability is eroded and if payment is not made at all, then a total loss is incurred. The key risks in banks have been credit risk. In the study made by Xiuzhu Zhao (2007) showed that financial institutions have faced difficulties over the years for a multitude of reasons. The major cause of these serious banking problems continues to be directly related to lax credit standards for borrowers and counterparties, poor portfolio risk management, or lack of attention to changes in economic or market situation market's perception which leads to a deterioration in the credit standing of a bank's counterparties.

In Ethiopia's context, the banking system has witnessed a significant expansion over the past few years. NBE believes such growth should be matched to strong risk management practices and the regulatory bank also noted that the growing of the economy and its interaction with the global market place has exposed the Ethiopian Banking sector to increasingly complex and interviewed credit risk (NBE, 2011).

An attempt to assess the credit risk management practice of commercial banks in Ethiopia have been made by Girma (2011) and Tibebu (2011). However, they mostly focus on evaluating the transaction risk which refers to the risk within individual loan by using the following dimensions: collateral requirement, long term customer relationship, credit rationing, and screening and monitoring perspective. However the above dimensions employed by the researchers cannot adequately measure the possibility of occurrence of credit risk. Rather they focus on current condition. As per the NBE the activity of Board of directors, managers, and the government and the policy makers on credit activity of the financial institutions and credit analysis and credit handling process are dimensions that contribute much towards safety and soundness of the banking systems and dimensions used to measure the risk management practice of banks which is not addressed by the researchers.

Therefore, this study aims to fill those gaps by assessing the bank's credit risk management practice by using the above NBE requirements through collecting primary data on commercial bank of Ethiopia specifically in head office & selected branches found in Addis Ababa city. Also the researcher is interested to the research area in particular and to the contribution and object of the bank in general in assessing the credit management performance which is crucial to be studied in the prevailing stiff competition in line of the modern financial measurements. Therefore, the principal concern of this study is to assess the credit risk management of the bank.

1.4.Objective of the Study

1.4.1 General objective

The general objective of the study is to assess the Credit Risk Management practice of Commercial Bank of Ethiopia (CBE)

1.4.2 Specific objectives

1. To assess credit risk management environment & activity of board of director's responsibility related to credit risk management in Commercial bank of Ethiopia.
2. To examine the operation of a credit granting process & activity the management of the bank related to credit risk management in Commercial bank of Ethiopia

3. To assess the appropriateness of credit administration, measurement and monitoring process in Commercial bank of Ethiopia
4. To identify the adequacy of controls over credit risk in Commercial bank of Ethiopia.

1.5. The Research Questions

The researcher has the interest of answering the following research questions.

1. What is the level of credit risk management environment in commercial bank of Ethiopia?
2. What is the operation of a credit granting process in commercial bank of Ethiopia?
3. What is the level of credit administration, measurement and monitoring process in commercial bank of Ethiopia?
4. What is the level of credit risk control in commercial bank of Ethiopia?

1.6. Significance of the Study

This study will provides a practical value to Commercial bank of Ethiopia (CBE) that related to credit management in terms of evaluate the compliance of the bank to its policies and procedure in processing loan application , creating credit and collecting loan ,bank credit quality as compared to national bank's requirement and credit policy. These findings may highlight certain gaps in the current credit management process of the bank.

The study also assumed to be significant in indicating best practice and concepts for prudent lending to enhance the performance of credit management to all managers' and policy makers of the bank as well as to all financial institutions and banks, the improvement of credit performance leads to reduce costs to successful borrowers, improve the fund, and increase banks flexibility in redirecting towards alternative activities. In addition to this it avoid the problem of loan default, which is resulted from poor credit management & increase the lending capacity of a bank. Moreover, it may help as a bench mark for researchers who are interested in the area to extend it further.

1.7 Scope of the study

The study is concentrated on Commercial bank of Ethiopia (CBE) found in Addis Ababa, Ethiopia.

The study covered credit policies, procedures, and credit operations of the Bank. It assessed whether the loan growth and performance is to the required level of the bank or not. In addition, the study is concerned with identifying the major reasons for best practices of credit management, loan growth, and causes of loan default if any in the bank .Since the lending rules and procedures of the bank is the same in all its branches, the result obtained taking case study of specific branch's assumed to reflect the situation of all branches of the bank in the country under normal circumstance.

1.8. Limitation of the Study

Due to the confidentiality policy of bank, access to customer and bank information, except officially disclosed financial information not allowed, for this reason the study did not employ documents of customer to evaluate credit risk management practice of the bank. Due to the limited time within which the research had to be conducted and the difficulty of getting all the respondents at the given period of time and difficult to cover more branches, financial problem was a major setback for the study. Because the researcher had to spend money on printing of the work, questionnaires and how to pay the one who typed scripts. Additionally, since there were no previous similar studies on the issues of credit risk management practice in particular with the facets used in the study area, testifying its consistency was not possible.

1.9 Organization of the Study

The paper organized in five chapters. The first chapter includes introduction of the study, statement of the problem objective of the study followed by scope of the study and limitation of the study. The second Chapter is about a review of literature about the credit risk management. Chapter three deals about the methodology of the study like research design, research instrument, population of the study and data analysis methods. The Fourth Chapter is

about Data analysis and Discussion and finally the fifth chapter of the paper is about summary, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Financial institutions, which are composed of banks, micro finances, and insurances, have comprehensive roles in serving the needs of the society within the economy. The service is rendered through providing three major financial functions: intermediation, or allocation, operational and payment systems. Operational and allocation functions are the provisions of financial resources to meet borrowing needs of individuals and other economic agents. The main microeconomic function of banks is the provision of facilities to collect d
eposits and invest these deposits as credits. Provision of a sound payment mechanism is also the other expected service from banks. Hence, the performance of banks is measured in terms of the above major roles of the banking business and relies on the provision of these functions.

As Hoff and Stiglitz in 1990 denoted, in the past decades there have been major advances in theoretical understanding of the workings of credit markets. These advances have evolved from a paradigm that emphasis the problems of imperfect information and imperfect enforcement. They pointed out that borrowers and lenders may have differential access to information concerning a business risk, they may form different appraisal of the risk. What is clearly observed in credit market is asymmetric information where the borrower knows the expected return and risk of his/her business, whereas the lender such as bank knows only the expected return and risk of the average business in the economy.

Credit risk

According to Valsamakis et al (2005), credit risk is the risk that a financial contract will not be accomplished according to the agreement made by the bank and the borrowers'. It is the risk that the counterparty to an asset will default. In other words it is the risk arises on interest or capital due to borrowers' late or nonpayment of loan as per the agreed contract. It include both the loss of income resulting from the sector incapability to collect anticipated interest earnings as well as the loss of principal resulting from loan defaults. Besides it arises because the possibility that the expected cash flows from advances and securities held, might not be paid in full. As a result it is

considered the most dangerous of the risks banks face which may result failure and in some case liquidation may be arise (Cade, 1999).

2.2 Transaction Vs Portfolio Credit risk

Under credit risk are also transaction and portfolio risks. Transaction risk refers to the risk within individual loans, it risk is mitigate through implementing the following main activities like screening techniques, monitoring, and collection. Whereas portfolio risk refers to the risk inherent in the composition of the overall loan portfolio which can be minimized or mitigated though developing and reviewing policies and strategy helps to minimize credit risk and though diversification on loan products, maximum loan size, types of loans, and loan structures (Sobehart, Keenan & Steyn, 2003)

2.3 Definition of Credit Management

There are many definitions given for credit management by different scholars. Among these some are here cited as follows: Credit management is implementing and maintaining a set of policies and procedures to minimize the amount of capital tied up in debtors and to minimize the exposure of the business to bad debts. (http://www.smallbusiness.wa.gov.au/assets/Small-Business-Briefs/small-business-brief-credit-management.pdf). Credit Management, from a debtor's point of view, is managing finances especially debts so as not to have a tail of creditors lurking behind your back. Credit management is a responsibility that both the debtor and the creditor should seriously take (http://www.selfgrowth.com/articles/Tabije3.html). When it functions efficiently, credit management serves as an excellent instrument for the business to remain financially stable.

2.4 Credit Risk Management

Loan is a major asset, income source for banks, and risky area of the industry. Moreover, its contribution to the growth of any country is very clear. Bank credit is the primary source of debt financing available for most customers in the personal, business or corporate market. The underlying need for credit varies across these markets. Banks generally also want to increase the

base of their income and use credit extension as a chance to cross sell other fee generating services when a customer requires for credit facilities (Koch & MacDonald, 2003).

Any successful business should meet its customer needs and make a profit. Likewise, successful financial institutions must meet the desperate needs of depositors and borrowers. Depositors look for high rates, short terms and no risk, while borrowers seek low rates and long terms. Financial institutions are therefore, in the risk intermediation business. To be successful, financial institutions, banks in particular, must properly underwrite risk, manage and monitor the risk assumed (Barrickman, 1990).

The risk profile of banks is fundamentally different from that of other financial institutions, like stockbrokers and insurance industry. An integral part of banking is the management of credit risk and it is done through well-diversified portfolios of exposure (Rose, 2002).

Credit risk management primarily focuses on loss avoidance and the optimization of return on risk. Financial institutions in the world are facing two major challenges. Firstly, they need to deliver increasing returns and value to shareholders and secondly, they need to determine how to capitalize on the New Capital Accord's (Basel II) minimal capital requirements (Belmont, 2004).

The need to put a strong credit risk management in place cannot overemphasized as failure which lead loan default and thereby crisis on banks.

Credit risk is not confined to a bank's loan portfolio, but can also exist in its other assets and activities. Likewise, such risk can exist in both a bank's on-balance sheet and its off-balance sheet accounts. The credit risks are associated with the core services of the bank that are lending and borrowing. These risks are the probability of borrower's failure to meet his or her obligations. Number of reasons can result in the default of the borrower and that can be very serious risks on the profitability of the bank (Basel, 2009).

Generally, credit risk is related to the traditional bank lending activities, while it also comes from holding bonds and other securities. Basel (1999) reports that for most banks, loans are the largest and most obvious source of credit risk; however, throughout the activities of a bank, which include in the banking book as well as in the trading book, and both on and off the balance sheet, there are also other sources of credit risk. Various financial instruments including acceptances, interbank transactions, financial futures, guarantees, etc increase banks' credit risk. Therefore, it is indispensable to identify all the credit exposures-- the possible sources of credit risk for most banks, which can also serve as a starting point for the following parts of this work. These losses

can be determined by calculating the loan assets of the bank according to their potential ratings for repayment of loans (Bessis, 2002).

Anthony Saundars (2001) Argue that bank constantly strive to achieve nearly riskless lending. They know that any reduction in the loan translate directly in profit while allowing loans to escalate can threaten the solvency and profitability of the bank. Therefore the banks successful depend largely on the design and implementation of credit risk management and risk measurement.

2.5 Definition of Technical Terms

Basel Committee

The Basel Committee on Banking Supervision is a committee of banking supervisory authorities that was established by the central bank governors of the Group of Ten countries in 1974. It provides a forum for regular cooperation on banking supervisory matters. Its objective is to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide. The Committee also frames guidelines and standards in different areas - some of the better known among them are the international standards on capital adequacy, the Core Principles for Effective Banking Supervision and the Concordat on cross-border banking supervision.

Committee is the primary global for the prudential regulation of banks and provides a forum for cooperation on banking supervisory matters. Its mandate is to strengthen the regulation, supervision and practices of banks worldwide with the purpose of enhancing financial stability

Principles for the Management of Credit Risk

While the exact approach chosen by individual supervisors will depend on a host of factors, including their on-site and off-site supervisory techniques and the degree to which external auditors are also used in the supervisory function, all members of the Basel Committee agree that the principles set out here under should be used in evaluating a bank's credit risk management system. Supervisory expectations for the credit risk management approach used by individual banks should be commensurate with the scope and sophistication of the bank's activities. For smaller or less sophisticated banks, supervisors need to determine that the credit risk management approach used is sufficient for their activities and that they have instilled sufficient

risk-return discipline in their credit risk management processes. The Committee developed principles for banking supervisory authorities to apply in assessing bank's credit risk management systems Basel (2000).

1. Establishing an Appropriate Credit Risk Environment

According to Wheehem & Hunger (2008), the controlling and directing activity of every organization is the board of directors. As with all other areas of a bank's activities, the board of directors has a critical role to play in overseeing the credit granting and credit risk management functions of the bank. The board of directors, according to the report of the Basel Committee (2000) should have responsibility for approving and periodically (at least annually) reviewing the credit risk strategy and significant credit risk policies of the bank. According to Saunders (2005), these strategies should reflect the bank's tolerance for risk and the level of profitability the bank expects to achieve for incurring various credit risks.

Moreover the strategy should include a statement of the bank's willingness to grant credit based on exposure type (for example, commercial, consumer, real estate), economic sector, geographical location, currency, maturity and anticipated profitability (Matyszak, 2007). This might also include the identification of target markets and the overall characteristics that the bank would want to achieve in its credit portfolio (including levels of diversification and tolerances).

2. Operating under a Sound Credit Granting Process

The Basel Committee (2000; 2001) asserts that in order to maintain a sound credit portfolio, a bank must have an established formal transaction evaluation and approval process for the granting of credits. Approvals should be made in accordance with the bank's written guidelines and granted by the appropriate level of management. There should be a clear audit trail documenting that the approval process was complied with and identifying the individuals and/or committee(s) providing input as well as making the credit decision (Boateng, 2004). According to Wilson (1998), banks often benefit from the establishment of specialist credit groups to analyze and approve credits related to significant product lines, types of credit facilities and industrial and geographic sectors. Banks should invest in adequate credit decision-making

resources so that they are able to make sound credit decisions consistent with their credit strategy and meet competitive time, pricing and structuring pressures (Khambata, 1996).

Each credit proposal should be subjected to careful analysis by a qualified credit analyst with expertise commensurate with the size and complexity of the transaction. According to Boateng (2004), an effective evaluation process establishes minimum requirements for the information on which the analysis is to be based. There should be policies in place regarding the information and documentation needed to approve new credits, renew existing credits and/or change the terms and conditions of previously approved credits.

Schonbucher (2000) assert that banks have traditionally focused on the principles of five Cs to estimate borrowers' creditworthiness.

These five C's are:

1. Character. This refers to the borrower's personal characteristics such as honesty, willingness and commitment to pay debt. Borrowers who demonstrate high level of integrity and commitment to repay their debts are considered favorable for credit.
2. Capacity. This also refers to borrowers' ability to contain and service debt judging from the success or otherwise of the venture into which the credit facility is employed. Borrowers who exhibit successful business performance over a reasonable past period are also considered favorable for credit facility.
3. Capital. This refers to the financial condition of the borrower. Where the borrower has a reasonable amount of financial assets in excess of his financial liabilities, such a borrower is considered favorable for credit facility.
4. Collateral. These are assets, normally movable or unmovable property, pledged against the performance of an obligation. Examples of collateral are buildings, inventory and account receivables. Borrowers with a lot more assets to pledge as collateral are considered favorable for credit facility.
5. Condition. This refers to the economic situation or condition prevailing at the time of the loan application. In periods of recession borrowers find it quite difficult to obtain credit facility.

The information received will be the basis for any internal evaluation or rating assigned to the credit and the accuracy and adequacy of the information are critical to management for making appropriate judgments about the acceptability of the credit. Banks must develop a corps of credit risk officers who have the experience, knowledge and background to exercise prudent judgment in assessing, approving and managing credit risks. A bank's credit-granting and approval process should establish accountability for decisions taken and designate who has the absolute authority to approve credits or changes in credit terms.

3. Maintaining an Appropriate Credit Administration, Measurement and Monitoring Process

Credit administration, as emphasized by Wesley (1993), can play a vital role in the success of a bank, since it is influential in building and maintaining a safe credit environment and usually saves the institution from lending sins. Therefore, banks should never neglect the effectiveness of their credit administration operations. Then talking about credit risk measurement in banks, it is required that banks should adopt effective methodologies for assessing the credit risk inherent both in the exposures to individual borrowers and credit portfolios, and this will be explained in details later.

The last focus in this area of principles is related to credit risk monitoring, which is definitely a must in banks' risk management procedure. Banks should keep track on the borrowers' current financial conditions and ensure their compliance with the covenants. Both cash flows and collateral adequacy should be ensured and the potential problem credits should be considered. In this way, banks are well in control of their credit qualities as well as all the related situations, and can react to any future changes timely and readily.

4. Ensure adequate control over credit risk

In order to ensure adequate controls over credit, Ganesan (2000) asserts that there must be credit limits set for each officer whose duties have something to do with credit granting. Material transactions with related parties should be subject to the approval of the board of directors (excluding board members with conflicts of interest), and in certain circumstances (e.g. a large loan to a major shareholder) reported to the banking supervisory authorities.

Banks must also consider the time frame for granting credit since time is of particular importance to borrowers. Borrowers usually require credit within a given time, and for such credits to be worthwhile they must be granted within the period the facility is required. According to Hubbard (2000), if a borrower requires a credit within, say, one month, the lending bank must meet such time period without undue delays. This implies that lending institutions must make known in unequivocal terms to the borrowers the terms and conditions to granting the credit. Having granted credit there is the need for maintaining an appropriate credit administration, measurement and monitoring process. Again, banks must establish a system of independent, continuous assessment of clients' operational results, looking out for early warning signs of operational difficulties (Mueller, 1998; Rachev, Schwartz & Khindanova, 2000).

Although specific credit risk management practices may differ among banks depending upon the nature and Complexity of their credit activities, a comprehensive credit risk management program will address these four areas. These practices should also be applied in conjunction with sound practices related to the assessment of asset quality, the adequacy of provisions and reserves, and the disclosure of credit risk.

2.6. Process of Credit Management

The process of credit management begins with accurately assessing the credit-worthiness of the customer base and his/her business viability. This is particularly important if the company chooses to extend some type of credit line or revolving credit to certain customers. Hence, proper credit management is setting specific criteria that a customer must meet before receiving the proposed credit arrangement. As part of the evaluation process, credit management also calls for determining the total credit line that will be extended to a given customer. Several factors are used as part of the credit management process to evaluate and qualify a customer for the receipt of some form of commercial credit. This includes gathering data on the potential customer's current financial condition, including the current credit track record that discloses the character of a customer in meeting obligations as well as collateral value. The current ratio between income and outstanding financial obligations will also be taken into consideration.

Competent credit management seeks to not only protect the bank or any financial institution involved from possible losses, but also protect the customer from creating more debt obligations that cannot be settled in a timely manner. When the process of credit management functions

efficiently, everyone involved benefits from the effort. The financial institution such as banks has a reasonable amount of assurance that loans granted to a client will be paid back within terms, or that regular minimum payments will be received on credit account balances. Customers have the opportunity to build a strong rapport with the creditor and thus create a solid credit reference (http://www.wisegeek.com/what-is-creditmanagement.htm).

2.7 Credit Process

The fundamental objective of commercial and consumer lending is to make profitable loans with minimal risk. Management should target specific industries or markets in which lending officers have expertise. The credit process relies on each bank's systems and controls to allow management and credit officers to evaluate risk and return tradeoffs.

According to Timothy (1995), the credit process includes three functions: business development and credit analysis, credit execution and administration, and credit review.

2.7.1 Business Development and Credit Analysis

Business development is the process of marketing bank services to existing and potential customers. With lending it involves identifying new credit customers and soliciting their banking business, as well as maintaining relationships with current customers and cross selling non-credit services. Every bank employee, from tellers handling drive-up facilities to members of the board of the directors, is responsible for business development. Each employee regularly comes in to contact with potential customers and can sell bank services. To encourage marketing efforts, many banks use cash bonuses or other incentive plans to reward employees who successfully cross- sell services or bring new business into a bank.

2.7.2 Credit Execution and Administration

The formal credit decision can be made individually or by committee, depending on a bank's organizational structure. This structure varies with a bank's size, number of employees, and type of loans handled. A bank's Board of Directors normally has the final say on which loans are approved. Typically, each lending officer has independent authority to approve loans up to some fixed dollar amount.

2.7.3 Credit Review

The loan review effort is directed at reducing credit risk as well as handling problem loans and liquidating assets of failed borrowers. Effective credit management separates loan review from credit analysis, execution, and administration. The review process can be divided into two functions: monitoring the performance of existing loans and handling problem loans. Many banks have a formal loan review committee, independent of loan officers, that reports directly to the chief executive officer and directors' loan committee. Loan review personnel review current loan to verify that the borrower's financial condition is acceptable, loan documentation is in place, and pricing meets return objectives.

2.8 Empirical Studies

Sindani (2012) in her study on Effectiveness of Credit Management System on Loan Performance: Empirical Evidence from Micro Finance Sector in Kenya found out that Credit terms formulated by the microfinance institutions do affect loan performance; the involvement of credit officers and customers in formulating credit terms affects loan performance. Interest rates charged had a negative effect on the performance of the loans, the higher the interest rates the lower the loan performance.

Soke Fun Ho and Yusoff (2009), in their study on credit risk management strategies of selected financial institutions in Malaysia the majority of financial institutions and banks losses stem from outright default due to inability of customers to meet obligations in relation to lending, trading, settlement and other financial transactions. Credit risk emanates from a bank‟s dealing with individuals, corporate, financial institutions or sovereign entities. A bad portfolio may attract liquidity as well as credit risk. The aim of credit risk management is to maximize a bank‟s risk-adjusted rate of return by maintaining credit risk exposure within acceptable boundary. The efficient management of credit risk is a vital part of the overall risk management system and is crucial to each bank‟s bottom and eventually the survival of all banking establishments. It is therefore important that credit decisions are made by sound analyses of risks involved to avoid harms to bank‟s profitability. They held effective management of credit risk is an essential component of a comprehensive technique to risk management and critical to the long-term success of all banking institutions. Kithinji (2010) assessed the effect of credit risk management on the profitability of commercial banks in Kenya. Data on the amount of credit, level of non-performing loans and profits were collected for the period 2004 to 2008. The findings revealed

that the bulk of the profits of commercial banks are not influenced by the amount of credit and non-performing loans, therefore suggesting that other variables other than credit and non-performing loans impact on profits. Ahmad and Ariff (2007) examined the key determinants of credit risk of commercial banks on emerging economy banking systems compared with the developed economies. The study found that regulation is important for banking systems that offer multi-products and services; management quality is critical in the cases of loan-dominant banks in emerging economies. An increase in loan loss provision is also considered to be a significant determinant of potential credit risk. The study further highlighted that credit risk in emerging economy banks is higher than that in developed economies. Credit risk controls adopted by microfinance institutions have an effect on loan performance, credit insurance, signing of covenants with customers, diversification of loans, credit rating of customers, reports on financial conditions, refrain from further borrowing had an effect on loan performance. Collection policies adopted by microfinance institution had an effect on loan performance, stringent policy had a great impact on loan performance, and the lenient policy had an effect but was not as great as that of stringent policy.

Kargi (2011) evaluated the impact of credit risk on the profitability of Nigerian banks. Financial ratios as measures of bank performance and credit risk were collected from the annual reports and accounts of sampled banks from 2004-2008 and analyzed using descriptive, correlation and regression techniques. The findings revealed that credit risk management has a significant impact on the profitability of Nigerian banks. It concluded that banks' profitability is inversely influenced by the levels of loans and advances, non-performing loans and deposits thereby exposing them to great risk of illiquidity and distress.

Abdus (2004) has examined empirically the performance of Bahrain's commercial banks with respect to credit (loan), liquidity and profitability during the period 1994-2001.Nine financial ratios (Return on Asset, Return on Equity, Cost to Revenue, Net Loans to Total Asset, Net Loans to Deposit, Liquid Asset to Deposit, Equity to Asset, Equity to Loan and Non-performing loans to Gross Loan) were selected for measuring credit, liquidity and profitability performances. By applying these financial measures, this paper found that commercial banks' liquidity performance was not at par with the Bahrain banking industry. Commercial banks are relatively less profitable and less liquid and, are exposed to risk as compared to banking industry. With regard to asset quality or credit performance, this paper found no conclusive result. Nonperforming loans to

gross loans (NPLGL) indicates that there was no difference in performance between the commercial banks and the banking industry in Bahrain. Ahmed, Takeda and Shawn (1998) in their study found that loan loss provision has a significant positive influence on non-performing loans. Therefore, an increase in loan loss provision indicates an increase in credit risk and deterioration in the quality of loans consequently affecting bank performance adversely.

Achou and Tenguh (2008) also conducted research on bank performance and credit risk management found that there is a significant relationship between financial institutions performance (in terms of profitability) and credit risk management (interms of loan performance). Better credit risk management results in better performance. Thus, it is of crucial importance that financial institutions practice prudent credit risk management and safeguarding the assets of the institutions and protect the investors "interests. Pyle (1997), in his study on bank risk management held that banks and similar financial institutions need to meet forthcoming regulatory requirements for risk measurement and capital. However, it is a serious error to think that meeting regulatory requirements is the sole or even the most important reason for establishing a sound, scientific risk management system. It was held, managers need reliable risk measures to direct capital to activities with the best risk/reward ratios. They need estimate of the size of potential losses to stay within limits imposed by readily available liquidity, by creditors, customers and regulators. They need mechanisms to monitor positions and create incentives for prudent risk taking by divisions and individuals.

In his research Rajagopal (1996) made an attempt to overview the bank's risk management and he suggests a model for pricing the products based on credit risk assessment of the borrowers is curtail. He also concluded that good risk management is good banking, which ultimately leads to profitable survival of the institution. A proper approach to risk identification, measurement and control will safeguard the interests of banking institution in long run.

Froot and Stein (1998), found that credit risk management through active loan purchase and sales activity affects banks' investments in risky loans. AS per the researcher findings banks that purchase and sell loans hold more risky loans as a percentage of the balance sheet than other banks. Again, these results are especially striking because banks that manage their credit risk hold more risky loans than banks that merely sell loans or banks that merely buy loans.

Bagchi (2003) examined the credit risk management in banks. He examined risk identification, risk measurement, risk monitoring, and risk control and risk audit as basic considerations for

credit risk management. The author concluded that proper credit risk architecture, policies and framework of credit risk management, credit rating system, monitoring and control contributes in success of credit risk management system.

Summary

As it has been stated above in the literature, several studies have suggested their finding with regards to credit risk management in banks. Among others Girma, (2007) found that the credit risk management practice of commercial banks in Ethiopia is poor. The researcher collected primary data though drop of questioner to evaluate the banks credit risk management practice as a tool. The questioner were developed by using the following dimensions as a measurement tool; Screening and monitoring, Credit Rationing, Collateral requirements, Long-term Customer Relationship. In addition, Tebebu (2011) in his study he assess the credit risk management practice of seven commercial Banks in Ethiopia by using Screening and monitoring, Credit Rationing, Collateral requirements, Long-term Customer Relationship, as a dimensions. On making the review of the previously conducted studies, it is clear that majority of the Studies that focus on conceptual framework of credit risk management practices in banks; they evaluate the credit worthiness on the individual loan bases not on portfolio bases f the customer. However, while considering the resent bank crises the main cause of bank failure were poor monitoring and implementation of standards and guideline were the reason for banks failure. Nemours studies were conducted especially on foreign banks on the implementation of interaction standards emanated from Basel committee. However studies were not conducted in our countries in this regard. Hence the Basel committee suggested that the crises of banks not only remain in to the organization their activity but can be easily spread on overall economy of the country should be evaluated and regulated by the central banks. The followings are four pillars of measurement which evaluate the activity of banks related to credit management, Establishing an appropriate credit risk environment, Operating under a sound credit granting process, Maintaining an appropriate credit administration, measurement and monitoring process, clearly-established process in place for approving new credits as well as the amendment, renewal and re-financing of existing credits these factors ensues adequate control over credit risk. The committee concluded that most major banking problems have been either explicitly or indirectly caused by weaknesses in credit risk management in supervisors' experience and certain key problems tend

to recur and Severe credit losses in a banking system usually reflect simultaneous problems in several areas, such as concentrations, failures of due diligence and inadequate monitoring. Besides Xiuzhu (2007) examined the credit risk management practice of major British bank by using the four pillars of principles of credit risk management practice which is also introduced by the Basel committee and his findings were that the majority of British banks are follow the four dimensions of credit risk management practice. However when we see that all the sample banks all are presented in foreign banks which are member of Basel committee. Few studies conducted in Ethiopia were conducted in branch Bank found in Addis Abeba. Let for example study on june 2009 "credit risk management of Ethiopian commercial banks " despite their insight, they did not evaluate the credit risk management practice of commercial bank of Ethiopia in the perspective of the Basel committee and also they have not evaluated the credit risk management by ownership difference.

Therefore this study aim to fill the previous studies gap on research made on commercial banks of Ethiopia. By applying the dimensions used by Xiuzhu (2007) which he used to evaluate the Credit risk management practice of Major British banks. According to the researcher these variables used as a major tool for assessing credit risk management and safeguarding the interest of different nations which there economy is interlinked. As per the researcher the banks plays a major role in the economic activities of inter linked nation. If one risk arises in one bank the problem spreads to other sector and to other corner of the globe instantly. The interaction of our country's economy to the globe is increasing time to time NBE(2007) the evaluation of our nation banks risk management practice in line with international standard is very essential . This study uses the under above dimensions to measure the credit risk management practice of commercial bank of Ethiopia found in addis ababa city through collecting primary data and the questioner were adapted from the study made at Major Britain banks to evaluate the credit risk management practice of the banks made by Xiuzhu (2007).

CHAPTER THREE

Methodology of the study

3.1 Research Design

To achieve the objective of the research a Qualitative & Quantitative methods are implemented. The qualitative method is much about interpreting information of different kind and it is engaged with the main emphasis to gain insight of the bank credit risk management operation & to construct explanations. The researcher examined the credit risk management practice of commercial Bank of Ethiopia in head office & selected branch's found in Addis Ababa by using the four pillars as a tool to measure the credit risk management principles as a dimension. Moreover the Research is descriptive in nature so that In order to achieve the objectives of the study, the research undertakes descriptive research design.

3.2 Target group

The target populations are employees working in Commercial bank of Ethiopia (CBE) in head office & the three selected branches located in Addis Ababa, Ethiopia. In order to make the findings more dependable and have a better conclusion all employees working in credit area have been selected for the study, therefore this study method used employees and managers working in credit areas have been taken in head office & selected branches in target group.

The questioners distributed to employees who are directly involved in credit processing and administering.; that are senior bank professionals, Department heads, managers, Assistant managers, Loan section heads, Loan officers, Loan clerk, and Loan Committee members of head office are included in the target group.

3.3 Sampling Technique

The sampling technique used for the purpose of this study is purposive sampling, Purposive sampling is a non-representative subset of some larger population, and is conducted to serve a very specific need or purpose" (Trochim 2005). This method of sampling was useful to the research because it consumes less time and is much less expensive. Another reason for the usage of purposive sampling was that the employees not qualified for the requirements are eliminated

since the results are expected to be more accurate as it is assumed to provide more efficient sample considering the sort of loan clients and staff of the bank. Selection of the bank branches based on the service they give & service year.

SAMPLING SIZE

The sample size was 66 made up of the following allocations

Table 3.1.2

No.	Types of Population	population	Sample size
1	Commercial bank of Ethiopia Head Office.	25	25
2	Commercial bank of Ethiopia Abakoran Branch.	17	17
3	Commercial bank of Ethiopia Senga Tera Branch.	14	14
4	Commercial bank of Ethiopia Enkulal Fabrika Branch..	10	10
	Total	66	66

3.4 Data collection procedure

As soon as the advisor approve the questioner a total of 66 questionnaires were distributed to credit performers of head office and three selected branches of commercial bank of Ethiopia found in Addis Ababa city by writing the name of the bank at the top edge of the questioner which helps to identify the respondents bank at data analyzing stage of the study. Secondary data collected from client files, report,directives ,manuals and bulletins of the bank by the researcher. All of these data collection procedure helped to meet the objective of the thesis.

3.5 Research Instrument and Measurement

The researcher employed mainly primary data which is collected by means of questionnaire by drop-off survey method to collect relevant data from the respondents in order to evaluate the employee's perception on credit risk management practice of their organization. Besides to these the secondary data is used in order to know the number of employees working in credit areas in each bank on employees' record of the bank.

The questionnaires consists of ,the demographic variable followed by four credit risk management dimensions the first dimension is establishing an appropriate credit risk environment, under this variable thirteen questions are presented , the second dimension is operating under a sound credit granting process and the dimension variable is maintaining an appropriate credit administration, measurement and monitoring process and the last dimension is ensuring adequate controls over credit risk, under each dimensions a total of forty questioners are asked from the respondents. The questions are the manifestation of the proper implementation of the above dimensions which were adopted from studies conducted to assess the credit risk management practice of major British banks by Xiuzhu, 2007. And a five point of likert type scale which are 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree and finally 5 = Strongly Agree. The instrument have been taken from (Xiuzhu 2007) with proper modification.

3.6 Validity of the Questioner

According to Kumar (1996), Validity evaluate whether the research truly measure what intended to measures. In order to achieve the validity of the instrument pilot test of thirty questioners was distributed to employees of Commercial bank of Ethiopia in addis ababa selected branchs. The final questioner was developed after including comments of the respondents and the advisor. Moreover the researcher used simple appropriate English that can be easily understood by the respondent. Hence it is the beliefs of the researcher that the respondent easily understand the questioners since the questioners are designed on their daily routine jobs. In addition to these the questioners were adapted from previous research works.

3.7 Data analysis Method

As soon as the questioners recollected from the respondents, the data are analyzed by using descriptive statistical tools like mean and standard deviation which is used to answer the first four research questions. According to Best (1977) on a five point likert scale with responses ranging from 1 (very disagreed/ dissatisfied) through 3 (neutral) to 5 (very agreed/ satisfied) the mean score from 1-1.8 is lowest, from 1.81-2.61 is low, from 2.62-3.41 is average/moderate, from 3.42-4.21 is good/high, and from 4.22-5 is considered very good/ very high .The raw data analyzed ,presented and interpreted to give solution for the research problem by the help of the statistical program for social science (SPSS) version 16.0 was analyzed the data.

3.8 Ethical Consideration

The research was conducted in a way that the respondents freely respond on their spare time. One week to ten days is given to respond the questionnaires. Moreover a data collector were assigned at Addis ababa city to collect the questionnaires after valuable induction have been given.

CHAPTER FOUR

Findings, Data Analysis and Discussion

Introduction

This chapter will try to highlight and discuss the results and the findings based on the analysis done on the data collected from respondents. This research focuses on assessing the credit risk management practice on commercial bank of Ethiopia in reference the bank giving service at Addis Ababa city during the study. Moreover the discussion also accommodates to attain the other objectives and answer to the research questions.

Under this chapter respondent response rate, socio demographic characteristics will be discussed.

4.1 Response Rate

Based on the sampling method of the Study, questionnaires were distributed to commercial bank of Ethiopia in head office. A total of 66 questionnaires were distributed to the respondents who are working in credit area of the bank. All these 66 questioners distributed & were returned as a result the response rate is 100% (66/66).

4.2Respondents' Profile

A total of 66 respondents participated in the study. When we look the gender of respondents in Table 2 below, the majorities of the participants were male and they are 49 in number and hold (74.2%). Female respondents were 17 in number and constitute (25.8%) of the total respondents.

As far as the age of respondents is concerned, (6.1%) of respondents were between 18 to 25 years and they are 4 in number of the total participants, (54.6%) of the respondents are between in the ages of 26 to 35 which constitute 36 which is also the largest from the respondent , 23(34.8%) of the respondents are aged in between 36 to 45 ,and finally from the output shown below, we can know that there are 3(4.5%) respondents aged from 45 and above out of the total respondent.

With regard to level of education, larger proportion which is 45 in number and (68.2%) of the participants are at 1st degree level, and 21 (31.8 %) are in possession of 2nd degree

Moreover with regard to working experience 14 in number and (21.2%) of the participant of the study have been working less than one year in their current place of assignment ,13 in number and (19.7 %) of the respondent are working from one year to two years, and 19 (28.8%) of the participants are working from two years to five years and the remaining which is also the largest portion 20 in number and (30.3%) have been working above five years in their current place of assignment in the bank.

Table 4.2 Respondents' Profile

Demographic variable	Categories	Frequency	Percentage (%)
Gender	Female	17	25.8
	Male	49	74.2
	Total	66	100.0
Age	Above 45	3	4.5
	36 to 45 years	23	34.8
	26 to 35 years	36	54.6
	18 to 25 years	4	6.1
	Total	66	100.0
Education Level	1st degree	45	68.2
	Master and Above	21	31.8
	Total	66	100.0
Years of Experience	Below 1 year	14	21.2
	1 to 2 years	13	19.7
	2 to 5 years	19	28.8
	Above 5 Years	20	30.3

	Total	66	100.0
	Loan portfolio manager	3	4.5
	Customer Relationship office	5	7.6
Job position	Loan officer	51	77.3
	Auditor	3	4.5
	other	4	6.1
	Total	66	100.0

Source. (Researcher's Survey result, 2016)

Table 4.1 shows that the age factor of respondents profile was 4.5 percent (above 45years), 34.8 percent (36-45 years), 54.6 percent (26-35 years) and 6.1 percent (18-25 years).as it is shown intable above majority respondent falls is the working age group accounting to 54.6 percent almost half of the total population this shows that the young people who fall in the working age group are engage in the credit management in the study area. However males are dominant 74.2 percent and females were 25.8 percent of the total respondent. Education level almost 68.2 percent of the respondent had degree holder and 31.8 percent were masters degree and above .in terms of work experience respondents are 21.2 percent (below 1 yr), 19.7 percent (1-2 yrs) , 28.8 (2-5 years) and 30.3 percent (above 5 years) as it shown majority respondent fall in to 30.3 percent (work exp. Above 5 years) this shows the respondents are more experienced. Job position 7.6 percent (customer relation officer) ,77.3 percent (loan officer) 4.5 percent (auditor), 6.1 percent(others) it shown as the majority respondents are loan officer.

4.3 Descriptive statistics of the variables

To reach the findings, each research questions need to be answered. In the following sub section, among research questions which were raised in chapter one, four of them will be answered by using descriptive statistics (mean and standard deviation through referring table 4.2.

Table 4.2 Descriptive Statistics Result of the Four Dimensions

NO	Dimensions	Items	Mean	SD
1	Establishment of Credit risk Management Environment	13	4.03	0.6379
2	Credit granting operation process	21	4.00	0.5626
3	The level of credit administration, measurement and monitoring process	5	4.09	0.6606
4	Level of Credit risk Control	7	4.00	0.5520
	Total	46	4.03	0.6033

Source (Researcher's survey, 2016)

4.3.1 Credit risk management environment in commercial bank of Ethiopia

In order to answer the above research question, credit risk management practice of commercial bank of Ethiopia by using one measurable factors of Establishment of appropriate credit risk environment. By referring the descriptive statistics in the table .2, the level of credit risk management environment in employees' perception and knowledge would be discussed in detail. As it can be seen from the table annex, thirteen items were asked to measure the credit risk management environment the result shows out of the total items the Board of Directors is responsible to review and approve credit risk management policy is the highest mean value of 4.32 (SD = 0.531) , followed by (mean = 4.26, SD = 0.686). Many Employees ever volunteer scores the third highest mean value of 4.24 (SD = 0.725), credit risk management policy, procedure and strategy are periodically re-evaluated is the fourth highest mean value of 4.18(SD = 0.579). The bank review all credit exposures that are in excess of the credit approval authority delegated to management mean value of 4.12 (SD = 0.668).while A clear procedure is adopted by the board to obtain the credit risk management strategy in the bank mean value of 4.09 (SD =

0.601). The bank specify the content and frequency of management reported to board on credit risk management Place mean value of 4.08 (SD = 0.615). credit risk operations are reviewed by independent reviewers to asses policies and procedures are being properly followed on ongoing basis mean value of 3.95 (SD = 0.618). The bank credit risk assessment and loan policy are made and reviewed on annually holds the first lowest mean value of 3.58 (SD =0.842). The second lowest mean value is scored 3.86 (SD=0.677) is the managers develop procedures and policies that facilitate the implementation of the broad credit risk management strategy and policies . The third lowest mean value is 3.88 (SD=0.569) is the bank credit risk is adequately measured ,monitored and controlled by the board and the forth lowest mean value is 3.91 (SD=0.518) is the bank undertake the management of credit risk in accordance with the delegated authority developed by the board and finally the bank board of director established goals for credit quality holds the lowest mean value of 3.92 (SD=0.664).

According to Best, (1977)[1], the score from 1-1.80 is lowest, from 1.81-2.61 is lower, from 2.62-3.41 is average/moderate, from 3.42-4.21 is good/high, and 4.22-5 is considered very good so , as far as the level of establishment of credit risk management in commercial Bank of Ethiopia is concerned thirteen items were asked and an average it scores a mean value of 4.03 (SD =0.6379) on a five point Likert scale, and this shows that the respondents appear to have a good/high level of credit risk management environment in Commercial Bank of Ethiopia.

4.3.2 Credit Granting Process in Commercial Bank of Ethiopia

In order to answer the above research question, the operation of a credit granting process of commercial bank of Ethiopia by using one measurable factors of operating under a sound credit granting process;. By referring to the descriptive statistics results in table 4.2, the operation of credit granting process in commercial banks in Ethiopia based on the employees' perception and knowledge would be discussed in detail.

As it can be seen from annex, twenty one items were asked to measure the credit granting process of commercial Bank of Ethiopia. From the twenty one items asked The bank evaluates the level of coverage being provided in relation to the credit quality and legal capacity of the grantor and The bank ensure collateral to be enforceable , showed the highest mean value 4.23 (SD = 0.520) and mean value 4.2 (SD=0.561) respectively , followed by The bank consider and documented in credit granting the purpose of the credit and source of repayment and Mean value

4.18 (SD = 0.461). Every credit proposal in the bank is subject to careful analysis by qualified credit analysts of the bank the fourth highest mean value of 4.09 (SD = 0.626 The bank consider and documented in credit granting ,the borrowers' repayment history and current capacity to repay based on historical financial trends and future cash flow projections under various scenarios .atmosphere is somewhat impersonal possessed the fifth highest mean value of 4.09 (SD = 0.575).The bank consider and documented in credit granting the Borrowers' business expertise and management capability achieved the sixth higher mean value of 4.09 (SD = 0.518).while The bank have a clear established process in place for approving new credits as well as extensions or renewal and refinancing of existing credits got mean value of 4.05 (SD = 0.509), The Management develops take measures that will facilitate the measurement, monitoring and control of credit risk mean value of 4.03 (SD = 0.581). The bank consider and documented in credit granting the terms and conditions of credit including covenants designed to limit changes in the future risk profile of the borrowers score the ninth mean value of 4.03 (SD = 0.554).

More over the item The manager ensures that internal audit review of credit risk management system is made on ongoing basis score the mean value of 4.02 (SD=0.525). The Bank manage and use off-balance sheet products (standby letters of credit or money guarantees, bid bonds, cash against document) during analysis and approving of credit have a mean value of 4.00 (SD=0.430) The Management of the bank Implement a system internal controls that will serve as an effective check over the measures used to manage credit risk results mean value of 3.98 (SD=0.734). The credit analysis of the bank have the experience , knowledge and back ground to exercise provident judgment in assessing ,approving and managing credit have mean value of 3.98 (SD=0.620).The bank consider and documented in credit granting the adequacy and enforceability of collateral or guaranty under various scenarios score mean value of 3.98 (SD=0.511). The bank establishes accountability on the personnel who pass a credit decision scores mean value of 3.98 (SD=0.480). In the bank the amount of credit granted to customer are suitably monitored have mean value of 3.98 (SD=0.328).the bank consider and documented in credit granting the current risk profile of the counter party (including the nature and aggregate amount of risk) and sensitivity to economic and market developments, especially for major exposure mean value 3.95 (SD=0.666). Credit limit for individual, counter parties and groups of connected counterparties are established in the bank has scored mean value of 3.92 (SD=0.615).

The credit risk management strategy and policies are effectively communicated to all relevant personals has scored mean value of 3.86 (Sd=0.552). the managers develop on effective system of reporting to the board on issues related to the management of credit risk has scored mean value of 3.79 (SD=0.795) And finally in the bank credit granting criteria not altered to accommodate related companies and individuals displayed the lowest mean value of 3.61(SD = 0.653).

While the credit granting process seen in commercial Bank of Ethiopia, twenty one items were asked and on average it scored a mean value of 4.00 (SD = 0.5626) on a five point Likert scale, and this shows that the respondents have a good/high perception on the existence of Sound Credit Granting operation.

4.3.3 Credit Administration, Measurement and Monitoring Process in Commercial Banks of Ethiopia

As it can be seen from annex, five items were asked to measure credit administration, measurement and monitoring process level of commercial Bank of Ethiopia. From the five items asked the bank properly maintained the credit file after credits granted to borrowers, showed the highest mean value of 4.30 (SD = 0.679), followed by The bank Obtaining current financial information from borrowers when needed.. Mean 4.09, (SD = 0.575). the credit file of all customer is always update .the third highest mean value of 4.06 (SD = 0.677). All credit file of the borrowers includes all the information necessary to ascertain the current financial condition of counterparties .mean value of 4.02 (SD = 0.540). And finally The Bank sends insurance and other renewal notice on time showed the lowest mean value of 3.98 (SD =0.832).

While the Credit administration, measurement and monitoring process seen in commercial Bank of Ethiopia, five items were asked and on average it scored a mean value of 4.09 (SD = 0.6606) on a five point Likert scale, and this shows that the respondents have an good/high perception on the level of Sound and appropriate credit Administration, measurement and monitoring process.

4.3.4 Credit Risk Control Commercial Bank of Ethiopia

As it can be seen from annex, seven items were asked to measure the level of credit risk control commercial bank of Ethiopia. From the seven items asked The bank uses internal risk rating in order to monitor credit risk showed the highest mean value of 4.15 (SD = 0.504), followed by The bank establishes independent ongoing assessment of this credit risk management process,Mean 4.08, (SD = 0.615). The banks internal control conducted in order to confirm weakness in the credit risk management process and exceptions to establish policies and procedures are identifies and reported to the board the third highest mean value of 4.00 (SD = 0.679). The banks internal control conducted in order to confirm credit granted incompliance with the banks credit policies and procedures, Mean value of 4.00 (SD = 0.464). The bank develops and implements procedures and implementations systems for monitoring the credit problems, Mean value of 3.95 (SD=0.509). The bank reviewed the output of stress taste periodically, Mean value of 3.91 (SD=0.575).And finally The bank uses stress testing by identifying possible events of future changes in economic conditions that could have uncomfortable effects on a bank's credit exposures. Showed the lowest mean value of 3.91 (SD =0.518).

While the level Control of credit risk seen in commercial Bank of Ethiopia, seven items were asked and on average mean value of 4.00 (SD = 0.5520) on a five point Likert scale, and this shows that the respondents have a good/high perception on the existence of Adequate Controls over Credit Risk.

The above result partly indicates that commercial bank of Ethiopia have establish an internal system, separate from the approval process, which provides for the ongoing assessment of the bank's credit risk management processes and the results of such reviews are communicated to the board of directors and senior management. Besides it implies that the Bank has ensured that the credit-granting function is being properly managed and that credit exposures are within levels consistent with standards and internal limits. In addition the bank have a system in place for early remedial action on deteriorating credits, managing problem credits and similar workout situations. Therefore we can generalize as per the findings on the four dimensions of credit risk management 46 items were asked and an average mean value of 4.03 on a five point Likert scale, and this shows that the respondents have good/high perception on the credit risk management practice of commercial bank of Ethiopia. This result shows in general commercial bank of

Ethiopia have maintain appropriate measures and implements international and national standers and also it indicates that the regulatory body (NBE) controls the activity of banks in regard to management risk arise on credit product of the bank.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion

In this study, the credit risk management of commercial Bank of Ethiopia found in Addis Ababa town in head office & selected branches has been shown by descriptive statistics. When we see in the four dimensions

- ❖ The credit risk management environment in employee perception and knowledge could be rated very good or high. The result indicates that the management , BOD, and the credit analysis found on commercial bank of Ethiopia in general have fulfill its responsibility on reviewing and approving, the credit risk strategy and significant credit risk policies of the banks. And we can generalize that there is the implementation of the strategy and regulation made by the bank which indicates that the ground for credit risk management have been implemented in the bank.
- ❖ The credit granting process seen in commercial bank of Ethiopia 21 items were asked and average mean value is good/high. It shows that respondent have good/high perception on the existence of sound credit granting operation it indicates the bank have clear established process in place for approving new credits as well as the amendment, renewal and re-financing of existing ones.
- ❖ The Credit administration, measurement and monitoring process seen in commercial Bank of Ethiopia, five items were asked and on average it scored a mean value good/high ,and this shows that the respondents have an good/high perception on the level of Sound and appropriate credit Administration, measurement and monitoring process. The above result implies that commercial bank of Ethiopia have in place a system for the ongoing administration of various credit risk-bearing portfolios. And banks have implemented a system for monitoring: 1) the condition of individual credits, including determining the adequacy of provisions and reserves, and 2) the overall

composition and quality of the credit portfolio. The bank have information systems and analytical techniques that enable to management and measure the credit risk inherent in all on- and off-balance sheet activities.

- ❖ The credit risk control of commercial bank of Ethiopia 7 items were asked and average mean value it scored good/high. It shows that respondent have good/high perception on the existence of credit risk control.

From the finding we can generalize that the commercial bank of Ethiopia follow the guideline developed by both the National Bank of Ethiopia and the Basel committee better ,however even though there is good/high credit risk management practices, which means a steady performance on controlling risks arise from credit.

5.2 Recommendation

On the basis of the results and conclusions of this study, the commercial bank of Ethiopia have good/high credit risk management practices, so the recommendation of the bank should sustain the good credit management practice in the four dimension such as establish appropriate Credit risk management environment by making continuous follow up that all responsible body fulfill its responsibility on reviewing and approving , the credit risk strategy and significant credit risk policies of the banks by establishing clear process in place for approving new credits as well as the amendment, renewal and re-financing of existing ones , evaluate & improve Credit Granting Process periodically , maintain an appropriate Credit Administration, Measurement and Monitoring Process, evaluate adequacy of Credit Risk Control.

5.3 Future Research Direction

Detail investigation should be conducted in assessing the credit risk management practice of commercial bank of Ethiopia .In addition to employee's perception on credit risk management internal or external auditors' finding might help to assess the credit risk management practice of the banks. also other performance measurements like profitability, liquidity etc. Therefore, it is worth to study in comprehensive level in order to solve the persistent problems and promote the bank as per its vision to the competitive.

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www.smallbusiness.wa.gov.au/assets/Small-Business-Briefs/small-business-brief Credit-management. Pdf (accessed on April, 12, 2009)

DECLARATION

I declare that this thesis entitled "Credit risk Management in Commercial Bank of Ethiopia Particular Reference to Addis Ababa city" submitted by me for the award of Master of Business Administration in accounting finance, is my original work and has not been presented by other scholars everywhere in universities and other research institutions.

Medhin Moges Tadesse

Signature: ____________________

Date: ________________________

ST.MARY'S UNVIVERSITY

JUNE, 2016

ADDIS ABABA

ENDORSEMENT

This is to certify that a thesis entitled "Credit Risk Management in Commercial Bank of Ethiopia Particular Reference to Addis Ababa city" submitted to St. marry university , Department of Business administration in accounting & finance for the award of Master of Business Administration in accounting & finance is a research work carried out by Medhin Moges Tadesse under my guidance and supervision.

DR. Abebaw Kassie

Signature: ____________________

Date: ________________________

ST.MARY'S UNVIVERSITY

JUNE, 2016

ADDIS ABABA

Annex

1. Descriptive Statics result of the Dimensions Establishment of Appropriate Credit Risk Management

	Mean	SD
Board of Directors is Responsible to review and approval Credit Risk Management policy	4.32	0.531
The bank credit risk assessment and loan policy are made and reviewed on annually.	3.58	0.842
The board of director established goals for credit quality.	3.92	0.664
A clear procedure is adopted by the board to obtain the credit risk management strategy in the bank.	4.09	0.601
The bank credit risk is adequately measured, monitored and controlled by the board.	3.88	.0.569
credit risk management policy, procedure and strategy are periodically re-evaluated	4.18	0.579
credit risk operations are reviewed by independent reviewers to asses policies and procedures are being properly followed on ongoing basis	3.95	0.618
The bank review all credit exposures that are in excess of the credit approval authority delegated to management	4.12	0.668
The bank review trends are portfolio quality and the adequacy of the banks provision for credit losses.	4.24	0.725
The bank Specify the content and frequency of management reported to board on credit risk management.	4.08	0.615
The bank ensures compliance with all relevant laws, regulations and directives of national bank of Ethiopia.	4.26	0.686
The managers develop procedures and policies that facilitate the implementation of the broad credit risk management strategy and policies.	3.86	0.677
The bank under take the management of credit risk in accordance with the delegated authority developed by the board.	3.91	0.518

	Mean	SD
Board of Directors is Responsible to review and approval Credit Risk Management policy	4.32	0.531
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The managers develop procedures and policies that facilitate the implementation of the broad credit risk management strategy and policies.	3.86	0.677
The bank under take the management of credit risk in accordance with the delegated authority developed by the board.	3.91	0.518

Source, (Researcher's Survey, 2016)

2. Descriptive Statics of the dimensions operating under a sound credit granting procedure

	Mean	SD

The Management develops take measures that will facilitate the measurement, monitoring and control of credit risk.	4.03	0.581
The Management of the bank Implement a system internal controls that will serve as an effective check over the measures used to manage credit risk.	3.98	0.734
The manager ensures that internal audit review of credit risk management system is made on ongoing basis.	4.03	0.525
The credit risk management strategy and policies are effectively communicated to all relevant personals.	3.86	0.552
The managers develop on effective system of reporting to the board on issues related to the management of credit risk	3.79	0.795
The bank consider and documented in credit granting ,the purpose of the credit and source of repayment	4.18	0.461
The bank consider and documented in credit granting ,the borrowers' repayment history and current capacity to repay based on historical financial trends and future cash flow projections under various scenarios.	4.09	0.575
The bank consider and documented in credit granting the terms and conditions of credit including covenants designed to limit changes in the future risk profile of the borrowers.	4.03	0.557
The bank considers and documented in credit granting the adequacy and enforceability of collateral or guaranty under various scenarios.	3.98	0.511
The bank consider and documented in credit granting the current risk profile of the counter party (including the nature and aggregate amount of risk) and sensitivity to economic and market developments, especially for major exposure .	3.95	0.666
The bank consider and documented in credit granting the Borrowers' business expertise and management capability	4.09	0.518
The Bank manage and use off-balance sheet products (standby letters of credit or money guarantees, bid bonds, cash against document) during analysis and approving of credit.	4.00	0.430
The bank have a clear established process in place for approving new credits as well as extensions or renewal and refinancing of existing credits.	4.05	0.509

Every credit proposal in the bank is subject to careful analysis by qualified credit analysts of the bank.	4.09	0.626
The credit analysis's of the bank have the experience ,knowledge and back ground to exercise provident judgment in assessing, approving and managing credit	3.98	0.620
The bank establishes accountability on the personnel who pass a credit decision.	3.98	0.480
In the bank the amount of credit granted to customer are suitably monitored.	3.98	0.328
In the bank credit granting criteria not altered to accommodate related companies and individuals.	3.61	0.653
Credit limit for individual, counter parties and groups of connected counterparties are established in the bank.	3.92	0.615
The bank ensure collateral to be enforceable and realizable	4.23	0.520
The bank evaluates the level of coverage being provided in relation to the credit quality and legal capacity of the grantor.	4.20	0.561

Source, (Researcher's Survey, 2016

3. Descriptive Statistics of the Dimensions: maintaining an appropriate credit administration, measurement and monitoring process

	Mean	SD
The bank properly maintained the credit file after credits granted to borrowers.	4.30	0.679
The credit file of all customers is always updated.	4.06	0.677
The bank Obtaining current financial information from borrowers when needed.	4.09	0.575
The Bank sends insurance and other renewal notice on time.	3.98	0.832
All credit file of the borrowers includes all the information necessary to ascertain the current financial condition of counterparties.	4.02	0.540

Source, (Researcher's Survey, 2016)

4. Descriptive result of the Dimension Adequate control over credit risk

	Mean	SD
The bank develops and implements procedures and implementations systems for monitoring the credit problems.	3.95	0.509
The bank uses internal risk rating in order to monitor credit risk	4.15	0.504
The bank uses stress testing by identifying possible events of future changes in economic conditions that could have uncomfortable effects on a bank's credit exposures.	3.91	0.518
The bank reviewed the output of stress taste periodically.	3.91	0.575
The bank establishes independent ongoing assessment of this credit risk management process.	4.08	0.615
The banks internal control conducted in order to confirm credit granted incompliance with the banks credit policies and procedures.	4.00	0.464
The banks internal control conducted in order to confirm weakness in the credit risk management process and exceptions to establish policies and procedures are identifies and reported to the board.	4.00	0.679

Source, (Researcher's Survey, 2016)

Questionnaire

University Of St.mery University

Faculty of Business and Economics

Department of MBA in accounting & finance PROGRAM

Please indicate marking ( ) your response on the appropriate.

PART I

Demographic Variables

A. Sex

1).Male ☐ 2).Female ☐

B. Age

1).18-25 ☐ 2.) 26-35 ☐ 3.)36-45 ☐ 4.) Above 45 ☐

C. Educational Qualification

1)12Complate ☐ 2)Diploma ☐ 3)Bachelor Degree ☐

4)Master and above ☐ 5)Other Please Specify ________________

D. Your Position in The Bank

1.)District Manager ☐ 2.)Credit Appraisal Manager ☐

3.) Loan Portfolio Manager ☐ 4. Customer Relationship Manager ☐

5. Customer Relationship Officer ☐ 6.Credit Analyst ☐

7.Loan Officer ☐ 8. Auditor/Controller ☐

9.Compliance officer ☐ 10. Other Please Specify____________

E. You Experience in your Current position

1) Less Than 1 year ☐ 2)1-2 Years ☐

3) 2-5 years ☐ 4).Above 5 Years ☐

PART II

2. Questioners to assess the credit risk management practice of Your Bank.

Definition of scale-

1	2	3	4	5
Strongly Disagree	Disagree	Neither Disagree or Agree	Agree	Strongly Agree

1. Questioners to evaluate an establishment of appropriate credit risk management environment in your bank and the activity of board of director's responsibility related to credit risk management.

S.NO	Parameters	1	2	3	4	5
EACI1.	The Board of Director of bank is responsible to review and approval credit risk management policy.					
EACI 2.	The bank credit risk assessment and loan policy are made and reviewed on annually.					
EACI 3.	The board of director established goals for credit quality.					
EACI 4.	A clear procedure is adopted by the board to obtain the credit risk management strategy in the bank.					
EACI 5.	The bank credit risk is adequately measured, monitored and controlled by the board.					
EACI 6.	Credit risk management policy, procedure and strategy are periodically re-evaluated					
EACI 7.	Credit risk operations are reviewed by independent reviewers to asses policies and procedures are being properly followed on ongoing basis.					
EACI 8.	The bank review all credit exposures that are in excess of the credit approval authority delegated to management					
EACI 9.	The bank review trends of the portfolio quality and the adequacy of the banks provision for credit losses.					
EACI 10.	The bank Specify the content and frequency of management reported to board on credit risk management.					
EACI 11.	The bank ensures compliance with all relevant laws, regulations					

	and directives of national bank of Ethiopia.					
EACI 12.	The managers develop procedures and policies that facilitate the implementation of the broad credit risk management strategy and policies.					
EACI 13.	The bank under take the management of credit risk in accordance with the delegated authority developed by the board.					

2. Questioners to evaluate your organization operation of credit granting process and the activity the management of the bank in related to credit risk management.

S.NO	Parameters	1	2	3	4	5
OUSCP 1.	The Management develops take measures that will facilitate the measurement, monitoring and control of credit risk.					
OUSCP 2.	The Management of the bank Implement a system internal controls that will serve as an effective check over the measures used to manage credit risk.					
OUSCP 3.	The manager ensures that internal audit review of credit risk management system is made on ongoing basis.					
OUSCP 4.	The credit risk management strategy and policies are effectively communicated to all relevant personals.					
OUSCP 5.	The managers develop on effective system of reporting to the board on issues related to the management of credit risk					
OUSCP 6.	The bank consider and documented in credit granting ,the purpose of the credit and source of repayment					
OUSCP 7.	The bank consider and documented in credit granting ,the borrowers' repayment history and current capacity to repay based on historical financial trends and future cash flow projections under various scenarios.					
OUSCP 8.	The bank consider and documented in credit granting the terms and conditions of credit including covenants designed					

	to limit changes in the future risk profile of the borrowers.					
OUSCP 9.	The bank considers and documented in credit granting the adequacy and enforceability of collateral or guaranty under various scenarios.					
OUSCP 10.	The bank consider and documented in credit granting the current risk profile of the counter party (including the nature and aggregate amount of risk) and sensitivity to economic and market developments, especially for major exposure .					
OUSCP 11.	The bank consider and documented in credit granting the Borrowers' business expertise and management capability					
OUSCP 12.	The Bank manage and use off-balance sheet products (standby letters of credit or money guarantees, bid bonds, cash against document) during analysis and approving of credit.					
OUSCP 13.	The bank have a clear established process in place for approving new credits as well as extensions or renewal and refinancing of existing credits.					
OUSCP 14.	Every credit proposal in the bank is subject to careful analysis by qualified credit analysts of the bank.					
OUSCP 15.	The credit analysis's of the bank have the experience ,knowledge and back ground to exercise provident judgment in assessing, approving and managing credit					
OUSCP 16.	The bank establishes accountability on the personnel who pass a credit decision.					
OUSCP 17.	In the bank the amount of credit granted to customer are suitably monitored.					
OUSCP 18.	In the bank credit granting criteria not altered to accommodate related companies and individuals.					
OUSCP 19.	Credit limit for individual, counter parties and groups of connected counterparties are established in the bank.					

OUSCP 20.	The bank ensure collateral to be enforceable and realizable					
OUSCP 21	The bank evaluates the level of coverage being provided in relation to the credit quality and legal capacity of the grantor.					

3.Questioners to evaluate how well does your organization on maintaining an appropriate credit administration ,measurement and monitoring process

S.NO	Parameters	1	2	3	4	5
MACA1.	The bank properly maintained the credit file after credits granted to borrowers.					
MACA 2.	The credit file of all customers is always updated.					
MACA 3.	The bank Obtaining current financial information whenever they need.					
MACA 4.	The Bank sends insurance and other renewal notice on time.					
MACA 5.	All credit file of the borrowers includes all the information necessary to ascertain the current financial condition of counterparties.					

Questioners to evaluate your organization adequacy of credit risk control.

S.NO	Parameters	1	2	3	4	5
ACCC1.	The bank develops and implements procedures and systems for monitoring the credit problems.					
ACCC 2.	The bank uses internal risk rating in order to monitor credit risk					
ACCC 3.	The bank uses stress testing by identifying possible events of future changes in economic conditions that could have uncomfortable effects on a bank's credit exposures.					
ACCC 4.	The bank reviewed the output of stress taste periodically.					

ACCC 5.	The bank establishes independent ongoing assessment of the credit risk management process.					
ACCC 6.	The banks internal control conducted in order to confirm credit granted incompliance with the banks credit policies and procedures.					
ACCC 7	The banks internal control conducted in order to confirm weakness in the credit risk management process.					

I thank again you For Your Cooperation!!!