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**ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF CREDIT MANAGEMENT  
PRACTICE AT DASHEN BANK**

**BY: HAIMANOT NIGUSSIE**

**ID No.SGS/0223/2011A**

**JANUARY, 2021**

**ADDIS ABABA, ETHIOPIA**

# **ASSESSMENT OF CREDIT MANAGEMENT PRACTICE AT DASHEN BANK**

**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY SCHOOL  
OF GRADUATE STUDIES IN PARTIAL FULFILMENT OF THE  
REQUIRMENTS FOR THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION IN GENERAL MANAGEMENT**

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## **ENDORSEMENT**

This is to certify that a thesis entitled “Assessment of Credit Management Practice at Dashen Bank” submitted to St. Marys University, School of Graduate Studies department of business administration in general management for the award Masters of Business Administration in general management is a research work carried out by Haimanot Nigussie under my guidance and supervision.

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ST. MARY’S UNIVERSITY

JANUARY, 2021

ADDIS ABABA

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## **LIST OF ABBREVIATIONS/ACRONYMS:**

<b>NBE</b>	National Bank of Ethiopia
<b>NPL</b>	Non-performing Loan
<b>CRM</b>	Credit Risk Management
<b>KYC</b>	Know Your Customer
<b>RM</b>	Relation Manager
<b>CEO</b>	Chief Executive Officer
<b>MIS</b>	Management Information System
<b>SMEs</b>	Small scale and Medium Enterprises
<b>BOD</b>	Board of Directors
<b>PESTLE</b>	Political, Economic, Social, Technological, Legislation, Environmental
<b>HOCC</b>	Head Office Credit Committee
<b>SPSS</b>	Statistical Package for Social Science

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## **ABSTRACT**

*The objective of this study was to assess the practice of credit management at Dashen bank. The study was conducted using descriptive research method both primary and secondary sources of data was used. It also used mixed research approach which is both quantitative and qualitative approach. The research was used structured self-administered questionnaire as data collection tool. The study populations of 134 were from Dashen Bank employees who are directly and indirectly involved in credit processing and administering units on the head quarter. Purposive sampling technique was utilized to select 78 participants of the study & (100% response rate) were responded to the questionnaires. The data collected via questionnaires were analyzed with descriptive statistics using statistical package for social science (SPSS-20). Respondents reported that the process for a given loan application takes an average of 17 days. Only 42.3% study participants reported that they agree about the procedure followed for loan approval by the bank is satisfactory but the rest of them disagree about this. 9.0% of the respondents replied that the bank used all mechanisms in order to collect the loan. The bank faced problems with credit management practice including non-performing loan at various levels and identified the causes of NPL. The researcher concluded that the bank used different credit management tools, techniques and assessment models to manage their credit risk to reduce the amount of loan default. It is recommended that the Bank should have credit management policy and strategy that incorporate the ideas of the clients and employees to become more competitive in the banking industry and meet its vision.*

*Key words: Credit, Credit management practice, Dashen bank*

# CHAPTER ONE

## INTRODUCTION

### 1.1. Back ground of the Study

Credit is the main income producing activity for the banks. Accordingly, Commercial banks in Ethiopia provide credit facilities and services to various classes of customers. The goal of the credit management is to maximize the performing asset and the minimization of the nonperforming asset as well as ensuring the most favorable point of loan and advance with efficient management. (Rana-Al-Mosharrafa, 2013) states that overall success in credit management depends on the banks credit policy, portfolio of credit, monitoring, supervision and follows up of the loan and advance are highly required for ensuring the timely repayment and minimizing the default.

Myers and Brealey (2003) recognized management of credit to be a critical methodology and strategy if effectively embrace by a firm guarantee an ideal level of credit. Credit administration is part of money related administration that includes all credit process concerned with activities such as accepting application, loan appraisal, loan approval, monitoring, recovery of non-performing loans, etc.

Nelson (2002) restates that financial institutions credit management process will involve of techniques and process applied in systematic way. Therefore, Proper loan and advances of credit policy guides appropriate credit analysis using financial analytical tools and ensure timely follow up of loan repayments after disbursement with minimization of non-performing loans. This showed as credit delivery should be accompanied by an appropriate credit policies and procedures which facilitates performance of credit management and protects the banking industry from failure.

Nevertheless, Efficiency and effectiveness in performing each steps of credit process using different parameters has a significant effect on performance of its management. The essential objective of credit management can be pronounced as protected guarding of the clients risk and advancement of operational money flow. Depend on this; it is known Dashen Bank Share Company is one of the financial institutions engaged in providing different types of services

like other commercial banks in the country. Dashen bank is established in 1995 in harmony with the “Licensing of Banking Business proclamation no.84/1994” of National Bank of Ethiopia to undertake commercial banking activities. So that Dashen Bank Share Company is playing its role in providing credit facilities to various classes of customers in the whole country. The current study was focused on investigation of this bank Credit management process starting from inquiring potential borrowers up to recovering the amount granted due to so many reason loans defaulting to perform.

## **1.2. Statement of the Problem**

The nature of the banking business is so sensitive because more than 85% of their liability is deposits from depositors (Saunders, Cornett, 2005). Banks use these deposits to generate credit for their borrowers this is the fact a major revenue generating activity for most banks. Even though the deep regulation and ongoing labors made to control the banking industry in general and the lending activities in particular, the credit risk problems are still a globe challenge and a major issue for both international and local regulators (Boudriga, 2009).

A loan default that results from poor credit management reduces banks’ lending capacity. It also denies new applicant’s access to credit as the bank’s cash flow management problem increase in direct proportion to the default problem. In other words, it may disturb the normal inflow and out flow of fund a bank has to keep staying in sustainable credit market. This also increases non-performing loan & bank’s legal cost if the loan passes the workout stage and the case goes to court. Since its establishment in 1995 G.C, Dashen Bank has been determined to develop credit management & all other opportunities towards achieving its corporate goals. The bank has been playing a significant role in providing loans and advances to its customers that enhances investment need in the country and as means of generating income for its shareholders.

Accordingly, the previous studies provide less consideration to their credit management and ultimately the need for reexamine to reduce their non-performing loan. Although there are some studies on Dashen banks to assess credit management, those studies are not comprehensive and credit management system may differs and change over time. Therefore, the study attempts to assess the credit management systems and practices in Dashen Bank

Share Company. Hence, the intention of this thesis is specifically to examine the outcome of credit management, problems faced and strengths of Dashen Bank in Head quarter at corporate level from different stand points regarding the practices of modern credit management in financial institutions. Perhaps, there are more important causes that need to be addressed as the first order of banking business is to identify the real causes behind the unpaid loans in the banking system. There are a good number of studies that examine the factors leading to bad debit. However, there is little empirical study in Ethiopia that has intensively investigated the relationship between bank-specific factors and non-performing loans. Thus, the motivation for undertaking this study was to assesses & identify the determinants of nonperforming loan & quality of loan system in the case of Dashen bank.

### **1.3. Research Questions**

This study was intended to answer the following questions

1. What are the problems faced by the bank with credit management practice?
2. What is the strength of the bank on credit management practice?
3. Does the bank use applicable credit management and collection strategies?
4. How is the credit granting process of Dashen bank Share Company supporting the credit management process?

## **1.4. Objective of the Study**

### **1.4.1. General Objective**

The general objective of this study was to assess the practice of credit management at Dashen bank.

### **1.4.2 Specific Objectives**

The specific objectives of the study were the following:

1. To identify specific problems that faced Dashen bank on credit management practice
2. To assess the strength of the bank credit management practice in Dashen bank.
3. To analyze the credit management and collection strategies in Dashen bank.
4. To examine the current credit granting process supporting the credit management process in Dashen bank Share Company

## **1.5. Definition of Terms**

### **Conceptual Definitions**

**Credit** - is a promise by one party to pay another for money borrowed or goods or service received (ML JhiNGan, 2002).

**Bank credit** - money provided by the banks for eligible customers that have economic importance, with an agreement to pay back the principal with interest within the period specified in the loan contract (Poli and Puri, 2013).

**Credit management**- is the mechanism to ensure that customers will pay for the products delivered or the services rendered. This monetary administration includes credit examination, credit assessment, credit scoring and credit reports (Myers and Brealey2003).

**Credit granting process** – is the operation of Banks within sound, well-defined credit-granting criteria which include a clear indication of the bank’s target market and a thorough understanding of the borrower or counterparty, as well as the purpose and structure of the credit, and its source of repayment (Basel Committee documents, 2000).



## **1.6. Significance of the Study**

Bank loaning is important for making the financing of agricultural, industrial, construction and commercial activities of a country possible. The strength and soundness of the banking system mainly depends upon health of the loan and advance. Therefore, the ability of banks to formulate and adhere to policies and procedures that promote credit quality and restrict nonperforming loans is the means to survive in the hard competition of banks. Hence, the expected benefit of this study is to make achievable suggestions, which are believed to improve the present credit management situation existing in the banking sector specifically in Dashen bank by assessing its credit management activity.

In addition to this, it will help to minimize the causes and problems associated with non-performing loans. It also will help as a preliminary study for others who are more interested in this area. This is very important to create and build up quality loans and credit valuable customers. The result of this study will enrich and update the knowledge of the reader on the loan and advance process of Dashen Bank and to see how the process they develop is used as a measure of their success. It would help the officers and analysts to be aware of what is expected from them as professional in managing the loan and advance process. Furthermore, provide the basis for planning and the result of this study would enable the concerned government body to see the loan and advance of the bank and its legal implications.

## **1.7. Scope of the Study**

### **Geographical Scope**

It is known that Dashen bank distributed throughout the country but it is very difficult to cover all branches in Ethiopia due to various reasons such as financial and time constraint. But, there is no difference in credit management at head office and Branches. Therefore, this study covered the assessment of credit management practice at head quarter corporate level and since branches are expected to use the same credit system and manual established by their respective head quarter.

### **Conceptual Scope**

The study was focus on the assessment of credit management practice at Dashen Bank within the variable of Conformity of the Bank to its credit policies and procedures in processing loan applications, the Bank in related to creating credit and collecting its loan on their due date, loans and advance evaluation system of the bank & Bank's credit quality as compared to National Bank's requirements and its credit policy.

### **Methodologica Scope**

Primary data included structured questionnaires and whereas secondary data are review of working policy and procedure, reports for the financial reports from the previous three years (June 30, 2017- June 30, 2020), NBE directives and other related publications.

### **1.8. Organization of the Study**

The study organized into five chapters. The first chapter introduces the background of the study, statement of the problem, the research questions and objectives, scope of the study, limitation of the study, significance of the study, and organization of the study. The second chapter presents theoretical and empirical review of the related literatures. The third chapter deals with methodology of the study. The fourth chapter is concerned with data analysis and interpretation. The last chapter presents the conclusion and recommendations illustrate from findings of the data.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1. Introduction**

The purpose of this chapter is to provide & discuss the framework of both theoretical and empirical issues that can be integrated to the process of credit management in financial institution. The major activities of the banking industry are to mobilize deposit and channel them to the economy in the form of loans. The loan is the core activity and also the primary source of income to commercial banks.

#### **2.2. Definitions of Credit Management**

Credit management is a dynamic field where a certain standard of long-range planning is needed to distribute the fund in various field and to minimize the risk and maximizing the return on the invested fund. (Rana Al Mashruf, 2013). It is also the means to make certain that customers will pay for the products delivered or the services rendered. According to Myers and Brealey (2003) it is made up of techniques and strategies used by an enterprise to ensure that an optimal level of credit and its effective management are kept.

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

#### **2.3. The Loan System**

According to Puri and Poli (2013) an effective credit management system provides the right framework for such decisions to be made. For any provision of credit line within the retail sector for instance, a borrower must have a pre-existing facility to repay the loan either from their salary or income from self-employed business. But a borrower is not always required to

have a pre-existing capacity to repay a term loan that they ask from the bank. So that the assessment of incremental cash flows which helps the lender to determine the repayment capacity of the borrower to meet loan obligations in a timely manner (Poli and Puri, 2013) Bank lending is ground on the assertion that the debtor has the willingness and capability to requite the loan at all stages in their business transactions with the bank.

However, the capacity to pay back depends on future income streams and the disposition to repay has to be based on the Pre-existent commitment that has been undoubtedly demonstrated by the borrower. According to Poli and Puri (2013) there are three conditions which should be in existence at the time of borrower seeks a loan from the bank which strengthen their business are:

- Willingness or intention on the part of the borrower to repay the loan as per agreement.
- The purpose for which the loan is requested or sought for by the borrower
- The conditions which can set the trend for the future.

The willingness to pay back a facility granted is somewhat simple to establish for an existing borrower in practice. The only condition that could influence this pre-condition is unmanageable event such as fire eruption or a major infrastructural damage. This condition necessary in carrying out an effective appraisal of the customer and gives the basis for making well-informed decisions as regards the credit granting process.

#### **2.4. Credit Management Policy**

It is defined as the belief and systems set up by top administration that direct the organization credit division and investigates of credit benefits against set down procedures. This policy becomes the draft which guides the conduct and prospect of all employees delegate with the responsibility of granting credit and also acts as a benchmark by which performance can be measured against standards set Jim Franklin (2010).

In order to be effective, credit policies must be communicated throughout the organization, put into practice through appropriate procedures, monitored and periodically revised to take into account changing internal and external circumstances. Credit Policy should be applied where appropriate, on a consolidated bank basis and at the level of individual members. In addition, the policies should address equally the important functions of reviewing. The examination of certain policy variables implies that the competitive process is accounted for within the specification of the demand function also as within the cost associated with taking on additional receivables.

## **2.5. Credit Procedures**

To accomplish the good objectives of credit administration strategy, Franklin (2010) instructed the endorsement and utilization of credit strategies. As credit methods are particular direction in which top administration enforce expectations on the credit division to achieve the credit administration policies. The credit systems integrate guidelines on what information to be utilized for credit examination and investigation procedure, provide information regarding procedure, account supervision and cases needing administration's notice. Such credit assembly incorporates the utilization of reminders, adoption of insurance, the application of legal procedures, the factoring of debtors and final write-offs are mentioned below.

**Reminders:** It involves dispatching a request note informing the debtor of the payment owed, and if there is no reply, processes are gradually intensified through more stringent mechanisms Pandey (2008). These other mechanisms include posting a letter of appeal to the client and if he fails to respond, then the customer is contacted by telephone or actually paying a visit to him or her as a way of creating awareness for the person and if it fails then the last resort will be gearing towards legal measures.

**Insurance Policy:** This involves an entity seeking to provide coverage for every one of the obligations that are evaluated as non-performing. The firm ought to verify that every facility that has started to show signs of deterioration are completely guaranteed BPP (2002). Insurance agencies guarantee to repay the loan firm in the situation that the indebted person

defaults on installment and as being what is indicated as the safety net, the provider will consent to such a course of action only when the financial organization has a viable credit administration framework established (Kakuru, 2001).

**Factoring of Debtors:** it is comprised of selling obligations to special financial organizations. The factoring of indebted individuals is a safety oriented measure meant for defending the organization's cash against losses. This the credit firm does by obtaining ahead of time monies locked up with debtors from the factor through an agreement that is reached. This result in the firm incurring lesser expenses included with disbursement of loans Flouck (2001). Along these, the leaser is relieved off the recovery and other managerial expenses incurred in non-performing assets and different exposures included in handling such advances.

**The use of Litigation:** This includes the commencement of legal activity against the client who defaults in his installments. This emerges when the loan facility is established as an uncollectible obligation after a significant disruption in the reimbursement plan is noted bringing about undue postponements in collection efforts thus giving the idea that lawful measures may be obliged to enforce recovery (Kasozi 1998). This is turned to as the last measure and all the more so where the firm's association with the client has been mutually beneficial.

**Final Write off:** This is the place in the books of the organization where the obligation is confirmed as irretrievable and thus, it is cancelled off as bad debt. If loan obligations are classified to be non-performing to the point that they can't be collected, it is then better to erase them from the accounting books to give them a genuine and reasonable representation of the organization's money related position (BPP, 2000).

## **2.6. Principles of Good Lending**

According to Gaurav (2010) identify certain criteria which are universally adhered to by most financial institutions in appraising credit propositions as follows:

**Safety:** This is most important Principles of good lending .banker must assurance that amount granted by him attains the legitimate debtor and is appropriated in a manner that will make it

secure at the time of giving as well as remain so throughout the period and subsequent to fulfilling a valuable need in the business where it is consumed is refunded with premium.

**Liquidity:** The debtor has to be in the capacity to make payments within a reasonable time frame after a notice of repayment is sent. This is termed as the grace period and failure to meet it usually attracts a penalty. The reason bank attached to liquidity is to safety of their fund.

**Purpose:** The objective has to be monetarily compensating so that cash stays secured as well as provide an ensured wellspring of financial streams to meet repayment plans. So Purpose assumed as a special significance in the concept of banking.

**Profitability:** the bank should be able to obtain some reasonable profit from the loan. Otherwise, it will not be possible to carry anything to the reserve or pay dividend to the shareholders.

**Security:** Security is considered as a protection or coverage to fall back upon in the event of a crisis. It is practice of banks not to lend without against security. Because unexpected change in circumstance that may affect safety & liquidity of the banks.

**Spread:** ensuring that advances are spread across a broader spectrum of economic activities. If the bank has many branches throughout the country it gets a wide variety of security against the advances.

**National interest:** The advance may run counter to national interest.

## 2.7. Credit Risk Control

Credit risk is the probability that the return supposed to be earned on an investment or risky asset extended will depart from that, which was expected. Coyle (2000) characterizes credit risk as debts emerging from the unwillingness or failure of loan clients to meet their commitment of what is outstanding in full and on time. The major sources of credit risk include limitation in institutional capacities, unsuitable guidelines on loan management, high interest rates, lack of effective supervision of credit lines, unsuitable laws, low levels of capital & liquidity, poor loan underwriting, reckless lending, poor credit appraisal, poor practices of lending, interference by government and the inability to enforce oversight responsibility over financial institutions by the central bank. To reduce these risks, it is fundamental for the money related framework to have; all round strongly funded banks,

provision of financial services to an expansive range of clients, sharing of credit data about borrowers through credit reference departments, adjustment of premium rates, decrease in non-performing advances, building of higher levels of deposits gathered by banks and expansion of credit to prospective clients (Laker, 2007; Sandstorm, 2009).

## **2.8. Credit Management Process**

The credit process relies on each bank's systems and controls to allow management and credit officers to evaluate risk and return exchange. Credit management process of a bank is very essential in order to capture the framework of the bad loans management. Weak credit risk management systems also can be sources of problem loans (Nishimura and al, 2001). The process of credit management begins with assessing the accurately credit-value of the customer base and their business viability.

Several factors are used as a part of the credit management process to measure and qualify a customer for the receipt of some sort of credit. As a result the writer discusses the different procedures that can be employed in each of these areas with the aim of examining the present loan management procedure of financial of institution mainly bank. Generally credit management has three basic steps credit analysis, credit approval and follow-up. The first two steps are pre-disbursement process while the last one is a post disbursement process. Significant details associated with the credit management processes are revealed here.

**Credit Application:** The application is that the primary step within the credit management process. This contains detail information about the applicant. It is the content of this document which financial institutions can take any legal action against a borrower who defaults. If any error committed at this stage goes a long way to negatively affect the whole process. A loan defaulter can escape legal punishment if the content of the application form isn't properly structured. Hence the necessity to gauge the prevailing application forms to make sure that they're properly structured to guard the credit unions.

**Credit Assessment:** is carefully done by the financial institutions before providing any loans to make sure the capability of the proposed project to undertaken. This also helps to look at



the technical viability, the economic viability and therefore the financial viability of the project to be undertaken. The risk associated with the loan can be reduced by doing the above. Appropriate assessment of a customer determines the financial situation and also helps to measure capability of the customer to repay the loan when due. This involves the authentication of primary and collateral security provided by the customer which can be relied on when the repayment of the loan becomes difficult. This is a sign that if the credit assessment isn't properly done by the depository financial institution, the danger related to the credit won't be identified. Hunte (1996) also realized that customers with loan experience showed the capability to manage the loans better hence good quality borrowers for the financial institution.

**Credit Disbursement:** Credit disbursement is the act of giving or paying out money to customers who have been assessed and approved to be given credit. Disbursement ensures that cash is formed available to the customer in any case assessment has been done and approval has been given. If the loan pay-out control isn't strong, the reliability of the loan management process will greatly be affected and may be undermined and misused by the unscrupulous staff of the organization. Thus, documentations and pay-out of the loans are vital within the management of loans because they make sure that the financial institution has the proper documentation, collateral and guarantees of the loan agreement. That is Insurance, signing loan contract, registration of the property/collateral the bank being primary owner. This is the pre-disbursement requirement by bank. These are significant in the case of the customers fail to pay because the financial institution would be suitably secured and have legal backing to ensure the retrieval of the loan.

**Credit Monitoring:** Financial institutions have a great responsibility to maintain the quality of the assets and to recover the interest and principal due in time. A financial institution needs to put in place a very sound and effective credit monitoring system for watching the borrower's account from various angles for timely action. Anjichi (1994), many of suffering, frustrations and distress financial institutions can be reduced by good credit monitoring and follow up process. A good supervision helps maintain a good loan. Monitoring of credit facilities has

been directed characteristically on ensuring repayment when there are signs of defaults for repayment of interest and principal installments.

**Credit Recovery:** When despite every attempt by the lender to reach harmonious arrangement for repayment and no agreement has been possible it will be necessary to treat the loan as a recovery matter. This is especially important in the financial institutions especially where the institutions provide services which are continuous. Loan recovery is that the collection of a loan amount from a customer in default. It is the pay back of the principal loan amount together with interest. Financial institutions need to be aware of loans that are at risk of not being paid back (nonperforming loan). Collections department of the bank will begin contacting the individual loan defaulters to notify them the amount owed and any interest accrued & may go through legal process to take over the asset.

## **2.9. Credit Risk Management Strategies**

The strategies used by financial institutions to avoid or decrease the unpleasant result of credit risk. A well-planned credit risk management structure is vital for institutions to enhance profitability, guarantee & survival. The strategies for credit risk include but not limited to the following:

**Credit Derivative:** This provides banks with an approach which does not require them to adjust their loan portfolio. The commonest sort of credit derivative is credit default swap whereby a seller agrees to shift the credit risk of a loan to the protection buyer. Recent inventions in credit derivative markets have improved lenders' abilities to transfer credit risk to other institutions while maintaining relationship with borrowers (Marsh, 2008).

**Credit Securitization:** it's the transfer of credit risk to insurance company and this relieves the bank from monitoring the borrower and fear of the hazardous effect of classified assets. This approach insures the lending activity of banks. Those banks typically use the instrument of securitization to diversify concentrated credit risk exposures and to explore an alternate source of funding by realizing regulatory arbitrage and liquidity improvements when selling securitization transactions (Michalak and Uhde, 2009).

Compliance to Basel Accord: The Basel Accord is international principles and regulations guiding the operations of banks to make sure soundness and stability. Compliance with the Accord means having the ability to spot, generate, track and report on risk-related data in an integrated manner with full audit ability and transparency and creates the opportunity to enhance the danger management processes of banks. The New Basel Capital Accord places explicitly the duty on banks to adopt sound internal credit risk management practices to assess their capital adequacy requirements (Chen and Pan, 2012).

Adoption of a Sound Internal Lending Policy: The lending policy is responsible in guiding banks in disbursing loans to customers. Strict adherence to the lending policy is far and away the most cost effective and simplest way of credit risk management. The lending policy should be in line with the general bank strategy and therefore the factors considered in designing a lending policy should include; the prevailing credit policy, industry norms, general economic conditions of the country and therefore the existing economic atmosphere (Kithinji,2010).

Credit Bureau: this is often an establishment which compiles information and sells this information to banks as regards the lending profile of a borrower. The bureau awards credit score called statistical odd to the borrower which makes it easy for banks to form instantaneous lending decision.

## **2.10. Credit Analysis**

Credit analysis is the process of analyzing all available information to determine whether the loan meets the bank's risk return objective. It is essentially default risk analysis attempts to evaluate a borrower's ability and willingness to repay (Koch and Macdonald, 2000) in general it is judgmental assessment technique.

The objective of credit analysis is to determine the repayment ability of a potential or existing customer, to assist in accept reject decision and the pricing policy as well as loan review evaluation. Credit analysis involves examining all relevant qualitative and quantitative data to make a reasonable assurance that the loan will be paid. Credit analysis for commercial lending

involves identifying inherent risks within the operation of business by generating an inventory of things (Koch and Macdonald, 2000). In properly analyzing the credit worthiness of borrowers, lenders often look at some five factors that are known as the five C's of credit. They are "character, capacity, capital, collateral and condition (James, 2003).

**Character:** Character is about the manner of the borrower in terms of having a well-defined purpose, and a responsible attitude toward using the borrowed sum. Responsibility, truthfulness, serious purpose, and intention to repay are all important elements in the evaluation of characters. The previous payment history as well as any pending or resolved legal judgments against the applicant would be used to evaluate its character.

**Capacity:** is the applicant's ability to repay requested credit. Financial statement analysis, with particular emphasis on liquidity and debt ratios is usually wont to assess the applicant's capacity.

**Capital:** is the financial strength of the applicant reflected by its ownership position. Analysis of the applicant's debt relative to equity and its profitability ratios are frequently wont to assess its capital.

**Collateral:** the quantity of assets the applicant has available to be used in securing the credit. When the quantity of obtainable assets larger the greater the prospect that a firm will recover its funds if the applicant defaults. A review of the applicant's record, asset value appraisals, and any legal claims filed against the applicant's assets are often wont to evaluate its collateral.

**Conditions: condition:** The environment surrounding that affects borrowers. According to (Lulseged, 2002) All conditions that can affect the borrower in the future should be assessed before the loan is granted. Failure to acknowledge such things may cause bankruptcy especially if the loan portfolio is targeting certain regions.

## **2.11. Non-Performing Loan**

Non-performing loans in the main refer to loans which for a relatively long period do not generate income; that is the principal, and/or interest on these loans has been left unpaid for at least 90 days (NBE, 2008). Besides, the stability of banking is a pre-requisite for economic development and flexibility against financial crisis. Success of banking is assessed supported profit and quality of asset it possesses. Even though banks serve social objective through their priority sector lending, mass branch networks and employment generation, maintaining asset quality and profitability is critical for his or her survival and growth. A major threat to the banking sector is frequency of Non-Performing Loans (NPLs). Non-performing Loans represent bad loans, the borrowers of the Assessment of Credit Management Performance in Emerging Private Commercial Banks in Ethiopia which failed to satisfy their repayment obligations.

Banks as intermediaries of funds are liable for attracting resources and inject it in various economic sectors. In the process of resources allocation, banks run into several risks and nowadays while making profits, one of the most important risks is default risk, which leads to increase in non-performing loans. Based on rules in banking system, the amount of non-performing loans should not be more than 5% of remaining facilities of each bank, but increasing growth of amount concerned officials and with considering the role of banks in the country's economy, this occurrence could be named a "national" concern (Ghasemi, 2010).

Despite ongoing efforts to regulate bank-lending activities, non-performing loans are still a serious concern for both international and native regulators. To date there is no bank crises happened in Ethiopia due to non-performing loans, but there is an indicator of high Non-performing in the country, which may lead to that direction if not controlled on time (NBE, 2010).

## **2.12. Determinant of Repayment of Bank Loan**

The recovery of loan advanced to bank creditors can be attributed many factors which may range from economic conditions, credit management and interest rate. One of key

determinants of loan repayments depend on the strength with which credit appraisal systems can intelligently and efficiently manage customer credit lines. Credit appraisal minimizes on the danger to borrowers' disclosure to bad debts, over-reserving and bankruptcies (Sindani et al, 2012). The credit assessment gives the banks an insight into the customer's financial strength, credit score history and payment patterns.

According to Horne (2007), credit appraisal methods utilized in banks range from simple subjective or informal techniques to fairly complex approaches just like the utilization of simulation and computer generated models. The aim of these procedures is to ensure that customers are thoroughly examined before advancing credit. The ability to repay loans are often influenced to an outsized extent by the extent interest charged on borrowed funds. Kariuki (2010), argue that when interest rates are low, borrowers are able and willing to service their loans. High interest rates on the opposite hand discourage payments and loan applications. Borrowers are more likely to default loan repayment when the rates of interest increase faster than the consumer's income.

It has been observed that policies guiding credit management and administration influence loan repayments. According to Kariuki (2010), loan repayments are often improved if loan recovery from slow payers. He argues a number of the bad debts incurred by banks arise due to lack of appropriate policies which will accelerate recovery. This is necessary because some customers would simply decide to not repay loan if bank conditions allow.

According to Pandy, (2008) economic conditions significantly influence loan repayments. Businesses are experienced economy wide fluctuation which may disturb the ability of customers to repay their loan as earlier planned for several months or years. The credit policies on disbursement and recovery of funds therefore factor such considerations into their planning. In order to make sure good repayment, Banks need to ensure proper monitoring and follow up.

## **2.12. Loan Follows up**

Lending decision is formed on sound credit risk analysis appraisal and assessment of creditworthiness of borrowers. Loan granted on the idea of sound analysis might go bad due

to the borrower might not meet obligations per the terms and conditions of the loan contract. It is for this reason that proper follow up and monitoring is important. Basically, there are three sorts of loan follow up systems. These are: Physical follow up, financial follow up and legal follow up, discussed as follows:

**Physical Follow up:** This helps to ensure existence and operation of the business, status of collateral properties, correctness of declared financial data, quality of goods, conformity of financial data with other records, availability of raw materials, labor situation, marketing difficulties observed, undue turnover of key operating personnel, change in management set up among others.

**Financial Follow up:** Financial follow up is required to verify whether the assumptions on which lending decisions was taken continues to carry good both in reference to borrowers' operation and environment, and whether the top use is consistent with the aim that the loan was given.

**Legal Follow-up:** the aim of legal follow up is to make sure that the legal recourse available to the Bank is kept alive in the least times. It consists of obtaining proper documentation and keeping them alive, registration, proper follow from insurances. Specific issues pertaining to legal follow up include: ascertaining whether contracts are properly executed by appropriate persons and documents are complete in all aspects, obtaining revival letters in time (revival letters refer to renewal letter for registration of security contracts that have passed the statutory period as laid down by the law), ensuring loan/mortgage contracts are updated timely and examining the regulatory directives, laws, third party claims among others.

### **2.13. Review of Empirical Studies**

The research works conducted in Ethiopia about assessment of credit management in the case of Dashen Bank are as follows.

Yihnalem, (2015) in his study of "credit monitoring activity and asset quality in the case of dashen bank" The main findings recognized in the study were associated with that the relationship of credit monitoring activity and asset quality, factors that affect credit

monitoring activity and/or asset quality, relationship of the factors and areas of improving credit monitoring activity progress of asset quality. The findings were offered in the stylized truth summarized from the view of survey collected through structured questionnaire. Thus, were presented in a tabulation form by categorizing the expert's responses based on their conceptual relationship.

Hable, (2018) "assessment of credit management practice at united bank Share Company" as she concluded the analysis clearly shown that the bank portfolio is invested in different sectors of the economy and as per the pre-set concentration limits in every sector which respondents witnessed. The bank is currently concentrating on specific sectors within the years into account. In addition, thorough interview acknowledged that thanks to underdevelopment of credit orientation borrowers engaged in business that they had no depth knowledge, diverted loans and advances for unintended purpose, willful default, over presenting of project costs and poor projects feasibility studies are factors which results in customers default. As some extent of future studies if a comparison among various commercial banks during this manner is undertaken to obviously see bank specific gaps within the credit management process of banks.

Bayush (2017), in her study "Assessment of credit risk management system in Ethiopian commercial banking industry" studied as Better credit risk management results in better bank performance. Thus, it is of critical importance that banks practice careful credit risk management and safeguarding the assets of the banks and protect the investor's interests.

Hagos (2010), which may be a case study on "Credit Management Practice of the Wegagen Bank in TigrayRegion" has found that the bank was managing its credit well in many aspects in this specific region. However, the researcher has also indicated that very long loan processes, in adequate credit policy in terms of customers aspect discouraging credit customers, the researcher has also only short-term credit facility resulted in repayment load on the client within a short period which direct the customers to termination.

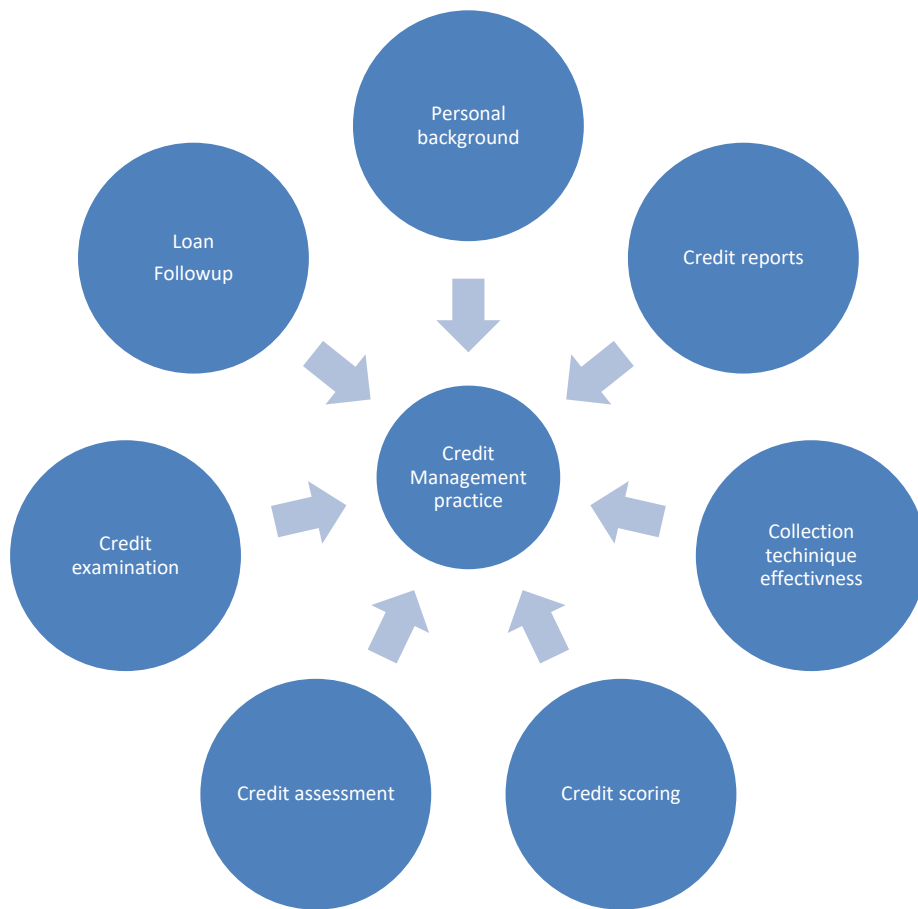
So, these research objectives are different from this research. Generally, those studies focused on credit department process of loan and advance, but this research assessment will focus on



the practice of credit management as a whole. As to the knowledge of the researcher there are no studies conducted mainly to identify the problems related to assessment of credit management at corporate level with reference to Dashen Bank Share Company. Thus, the researcher felt it appropriate to take up the present study entitled “ASSESSMENT OF CREDIT MANAGEMENT PRACTICE AT DASHEN BANK SHARE COMPANY” to examine the credit management problems and thereby to recommend courses of action that are assumed to promote quality loan growth and restrict non-performing loans.

### **2.13. Conceptual Framework**

Conceptual framework is a visual diagram that captures the main things to be studied that is the key factors, concepts, or variables and the presumed relationships among them. As it can be seen from the following conceptual frame work the variables involved are inter dependent on one another and also affects the credit management practice of a bank directly or indirectly.



**Figure 1: Conceptual framework of credit management practice at Dashen Bank**

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Research Design**

The study was conducted using descriptive research method. In conducting this study, both primary and secondary sources of data was used. In addition, this research was also used mixed research approach which is both quantitative and qualitative approach.

As per Creswell (2003) there are three approaches that are used in conducting a given research. These are quantitative, qualitative and mixed research approach. Quantitative research approach focuses primarily on the construction of quantitative data, and quantitative data is a systematic record that consists of numbers constructed by researcher utilizing the process of measurement and stately structure (Kent, 2007). The quantitative research approach employ measurement that can be quantifiable while the qualitative approach cannot be measured (Bryman& Bell, 2007). In mixed research approach inquirers draw liberally from both qualitative and quantitative assumptions (Creswell, 2009).

The research was used structured self-administered questionnaire as data collection tool. This is exactly used to collect useful primary information for assessment of credit management process at Dashen Bank. The department that is mainly responsible for provision of loans and advances to individuals and projects is contained at the head office of the banks. Therefore, the study was conducted in consultation with staff involved in credit operation at head office corporate level.

#### **3.2. Population, Sample Size and Sampling Technique**

The study populations were 134 from Dashen Bank employees who are directly and indirectly involved in credit processing and administering units on the head quarter. There are directly credit related employees working on the head quarter of the bank. This means Credit Directors (3), Customer Relationship Managers (21), Credit Analysts (15), Loan officers (21), Credit administrator (3), and Loan committee members was included in the target group also (10), Risk management (47), Recovery (9), Credit information (5). But, for this study

participants were only Credit Directors, Customer Relationship managers, Credit Analysts, Loan Officers, Credit Administrator, Loan Committee members, Credit information with a total of 78 employees were included in the research **as a sample size those are staff directly and more involved in credit operations.**

In this study, the researcher utilized purposive sampling technique to select participants of the study. Purposive sampling is a strategy in which particular settings persons or events are selected deliberately in order to provide important information that cannot be obtained from other choices (Maxwell, 1996). The selection criteria set by the researcher was made first is all credit related staffs at head office (credit directors, credit analysts, loan officers, credit information and credit administrators. The idea behind purposive sampling is to concentrate on people who are more involved in credit processing and administering because they would be able to assist with the relevant research data.

### **3.3. Types of Data collected and used**

In this work, the respondent's opinions and experiences was gathering from the questionnaire and provided the needed input to the data. These data were gathered from both primary and secondary sources. The data was evaluated and added to the findings of the research. The survey is a quantitative one as a result of the research questions are intended to suit the quantitative analysis. Due to that, a lot of the questions were close ended questions; however, few of the questions were open ended questions.

#### **3.3.1. Primary Data**

The questionnaire was used as the principal source of this data. Structured self-administered questionnaires that contain close as well as open ended questions were prepared. The questions that were close ended offer the respondent's opportunity to choose from answers provided whereas the open-ended questions allow the respondents to give their answers as they desire. This technique helps to maintain the focus of the work on its primary objectives. The questionnaires for the purpose of this study were distributed at head office level.

### **3.3.2. Secondary Data**

Secondary data was collected from an annual report of the bank from 2018 to 2020, working policy and procedure of the bank, related journal, NBE directives, and credit information user guide line and other relevant data to aid the researcher.

### **3.4. Procedures of Data Collection**

In order to collect sufficient data that can answer the research questions, the researcher was designed structured self-administered questionnaire to get quantified results. In addition to questionnaire, data were collected from different published and unpublished materials. The questionnaire was distributed to all head quarter credit directors, customer relationship managers, credit analysts, loan officers, loan committee member's credit information and credit administrators.

### **3.5. Methods of Data Analysis**

Data analysis consists of examining, categorizing, tabulating or otherwise recombining the evidence, to address the initial proposition of a study (Yin, 1989; pp. 105). The researcher was analyzed the collected data through survey to statistical population concerning the practice of credit management. The data collected via questionnaires were analyzed with descriptive statistics using statistical package for social science (SPSS-20).

Most of the data were more of quantitative in nature thus; data were summarized and presented using descriptive statistical tools like percentages, frequency counts and ratios. Furthermore, tables and figures were used to facilitate the analysis and to make it presentable for the readers. After the respondent's answers were analyzed on the respective table explanation regarding the practice of credit management at Dashen Bank was given.

### **3.6. Validity and Reliability**

#### **3.6.1. Validity**

Validity in connection to data refers to the capacity of the survey questions to quantify what plan to measure. It also refers to the concern that what the researcher finds with the survey is a fair representation of what is being measured (Saunders et al, 2012). The survey questions

were deliberately composed and tried with a couple of individuals from the populace for further upgrades. This was done with a specific end goal to improve the legitimacy and precision of data that was gathered for investigation and further analysis as well as ensure validity of data.

To secure the content validity of the instrument the researcher referred previous researcher's questionnaires that fit the purpose and let different scholars and supervisory staff of Dashen Bank in the work place to review the instrument before distributing to the respondents. Accordingly, they have critically examined and forwarded some modifications on the instrument; hence, their expertise feedback was incorporated.

### **3.6.2. Reliability**

Reliability refers to consistency which measures the level of variance of actual results from expected results from the research tool that will be adopted. The tendency towards consistency found in repeated measurements is referred to as reliability. One method of testing for reliability is the internal consistency method. Internal consistency involves correlating the responses to questions in the questionnaire with each other (Saunders et al, 2012).

Furthermore, pre-test was conducted using a total of 10 samples. Based on the findings of the pre-test, the researcher tried to rephrase some questions that were not clear without affecting the basic context of the instrument. And, it was confirmed the questionnaires that pass the pre-test become effective to meet the objective of the study before distributed to the respondents.

### **3.7. Ethical Considerations**

Before data collection ethical clearance was obtained first from ethical review committee of St. Mary's University, School of graduate studies. Letter of permission was taken to approach respondents to take an appropriate data. Then, consent was taken from individual respondent after assuring that the information supplied kept strictly confidential and used for the academic research purpose only.

## **CHAPTER FOUR**

### **RESULTS AND DISCUSSION**

#### **4.1. Introduction**

This chapter comprises the result and discussion of the findings in view of the research questions raised in the first chapter of this research work. Primary and secondary sources of data were used to collect the findings. The data were analyzed using SPSS and presented using tables, percentages and graphs that were used to draw relationships as well as make inferences from the variables under investigation.

#### **4.2. General background of Respondents**

The researcher gave out seventy-eight (78) questionnaires to the head quarter of Dashen Bank and all of them (100% response rate) were responded to the questionnaires they received. The general background of the employee has a great contribution in the credit management and advance in understanding the credit policies and procedures as well as exercising and improving it when demanded. Thus, in this work process the general background of respondents like gender, age, educational background, position at the bank and duration of work in Dashen Bank is assessed. The table and figure below illustrate the general background statistics of the respondents.

The gender mix of respondents showed that male gender was dominant group, 58 (74.4%), and female participants were only 20 (25.6%). The table below describes a brief summary of the age range of respondents, majority of them lies between 31 – 40 years which is a share of 70.5% followed by 20-30 years of age which accounts 26.9% in the total data; this implies that the bank human resource especially in credit related staffs are younger aged. Youngsters are energetic and are easy to customize themselves with technology as such behavior could benefit the bank.

Table 1 describes that majority of the respondent's educational qualification was master's degree holder which is 70.5% and 29.5% of respondents were holding their first degree. Overall the result shows that the bank has in a good position in terms of the necessary

educated manpower as the human resource management policy of the bank requires educational level of first degree and above for the job of credit. (Table 1)

**Table 1: Socio-demographic characteristics of respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Male	58	74.4	74.4	74.4
	Female	20	25.6	25.6	100.0
	Total	78	100.0	100.0	
Age	20-30	21	26.9	26.9	26.9
	31-40	55	70.5	70.5	97.4
	41-50	2	2.6	2.6	100.0
	Total	78	100.0	100.0	
Education	First degree	23	29.5	29.5	29.5
	Master's degree	55	70.5	70.5	100.0
	Total	78	100.0	100.0	
Managerial position	Senior Management	4	5.1	5.1	5.1
	Middle Management	15	19.2	19.2	24.4
	Line Management	27	34.6	34.6	59.0
	Another clerical	32	41.0	41.0	100.0
	Total	78	100.0	100.0	
Work experience	Below 5 years	6	7.7	7.7	7.7
	5 - 10 years	52	66.7	66.7	74.4
	Above 10 years	20	25.6	25.6	100.0
	Total	78	100.0	100.0	

Source: Primary Data

The table above describes that the managerial position of the respondents, clerical position was the majority of managerial position followed by line management which were 32 (41.0%) and 27 (34.6%) respectively. Such different managerial positions of the respondent were important to suppose the research choose the right respondents to get validity of information, all files are analyzed in their position. Majority of respondents work experience was ranged between 5 - 10 years (66.7%) followed by above 5 years which accounted 25.6%. As a result, the researcher believes that the respondents have a good work experience. Due to their experience respondents came across many credit risk exposures. This might have helped them

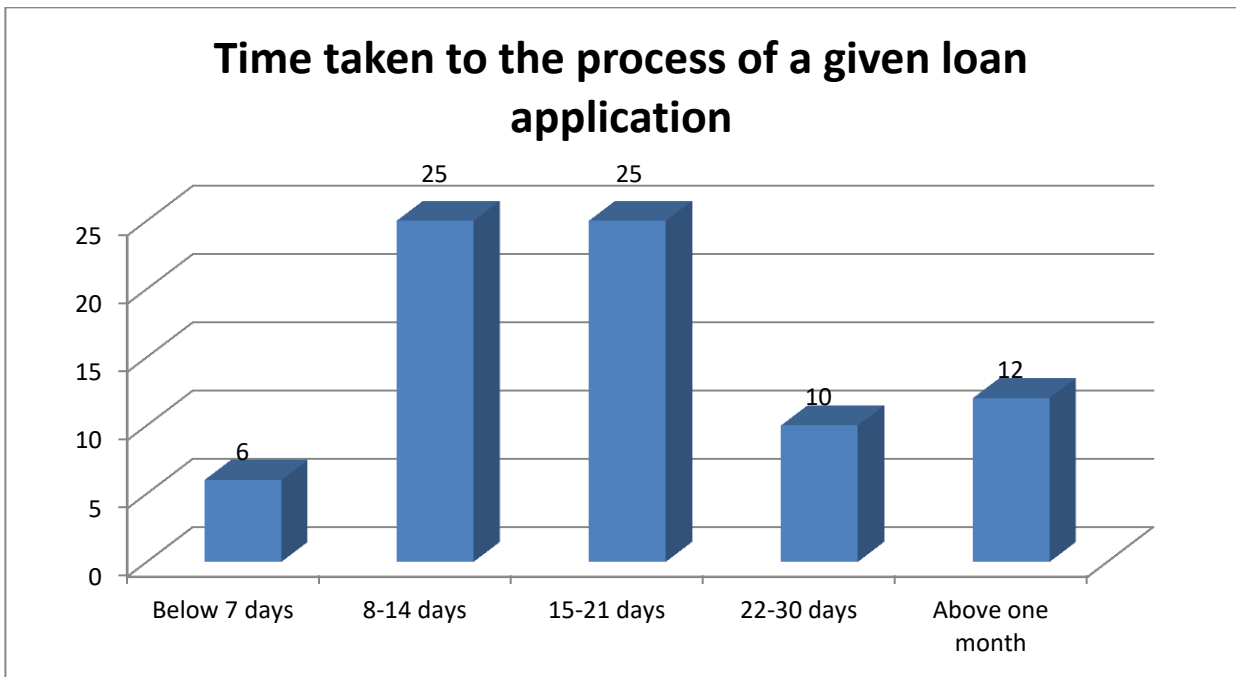


to clearly understand the current credit experience management practice of the bank and they can easily identify the Strength and weakness of the bank. (Table 1)

### 4.3. Credit Management & Practice

#### 4.3.1. Process for Loan application

The Figure below showed equal number of respondents, 25 (32.1%), reported 8-14 days and 15-21 days taken to process for a given loan application for each. To contradict this, 12 (15.4%) and 10 (12.8%) of the respondents replied that the time taken to process for a given loan application was above one month and 22-30 days respectively; and 6 (7.7%) of them reported that the time taken for loan application was below 7 days. (Figure 2)



Source: Primary Data

**Figure 2: Time taken to the process of a given loan application**

#### 4.3.2. Loan approval, financial analysis and credit follow-up

The table 4.3.2 showed that only 33 (42.3%) study participants reported that they agree about the procedure followed for loan approval by the bank is satisfactory but 21 (26.9%) of them

disagree about this. This implies that the bank didn't follow the procedure for loan approval satisfactorily.

Regarding the financial analysis before extending the loan, 35 (44.9%) of the respondents replied that 'strongly agree' for the question the bank assess borrowers past financial history, Credit worthiness and perform detailed financial analysis before extending the loans, 36 (46.2%) and 3(3.8%) of the respondent answers that 'agree' and 'neutral' respectively. This showed that the bank has a procedure of assessing borrowers past financial history, credit worthiness and perform detailed financial analysis before extending the loans

Thirty five (44.9%) and 23 (29.5%) of respondents 'agree' and 'strongly agree' that there is credit follow up techniques and procedures designed and implemented by the bank. There is credit follow up techniques and procedures designed and implemented by the bank. (Table 2)

**Table 2: Loan approval, financial analysis and credit follow-up**

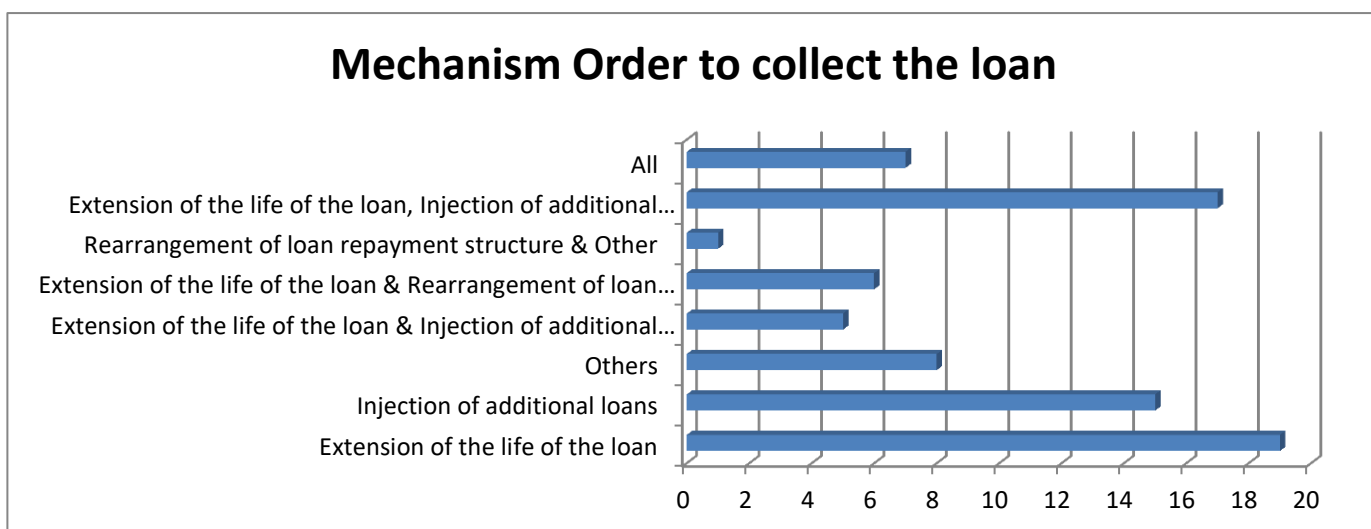
Characteristics	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
	N	%	N	%	N	%	N	%	N	%
Do you believe the procedure followed for loan approval by the bank is satisfactory?	7	9.0	21	26.9	12	15.4	33	42.3	5	6.4
Does the bank assess borrowers past financial history, credit worthiness and perform detailed financial analysis before extending the loans?	1	1.3	3	3.8	3	3.8	36	46.2	35	44.9
Is there any credit follow up techniques and procedures designed and implemented by the bank?	0	0.0	9	11.5	11	14.1	35	44.9	23	29.5

Source: Primary Data

#### 4.3.3. Mechanism Order to collect the loan

The figure below indicated that 9.0% of the respondents replied that the bank used all mechanisms in order to collect the loan, but 24.4% and 19.2% of the respondents said that extension of the life of the loan and repayment of loan structure as a mechanism to collect the loan respectively. Some of the respondents, 8 (10.3%), mention that other mechanism such as taking legal action and sale of mortgage properties as last resort. This implied that the dominant mechanism implemented by the bank order to collect the loan are extension of the

life of the loan, extension of the life of the loan together with injection of additional loans and injection of additional loans independently.



Source: Primary Data

**Figure 3: Mechanism order to collect the loan**

#### 4.3.4. Causes of nonperforming loan

##### 4.3.4.1. Causes of nonperforming loan at borrower level

The table below indicates, 44.9% of the respondents, replied that due to diversion of the borrowed fund to other than initially intended purposes stands 1st, while as per 34.6% of the respondents believe that lack of proper business plan takes the 2nd place. Besides this, contingencies at borrowers e.g. death, sick holds 16.7% stands at 3rd place. This result implied that diversion of the borrower fund to other purpose is the major causes of nonperforming loans in the Bank and the Bank need to have a monitoring mechanism as the borrower should use the loan for intended purpose only. Then the Bank should confirm that the presence of borrower's plan prior to loan in order to reduce the nonperforming loan.

**Table 3: Causes of nonperforming loan at borrower level**

Item	Response	Percent	Rank
What are the major causes of nonperforming loans at Borrower Level?	Lack of proper business plan	33.3	2 <sup>nd</sup>
	Contingencies at borrowers e.g. death, sick	16.7	3 <sup>rd</sup>
	Diversion of the borrower fund to other purpose	44.9	1 <sup>st</sup>
	Insufficient credit awareness	9.0	5 <sup>th</sup>
	Unwilling customer to disclose the information required	2.6	6 <sup>th</sup>
	Willful default/unwillingness to pay	10.3	4 <sup>th</sup>

Source: primary data

#### 4.3.4.2. Causes of nonperforming loan at Bank level

From the table below, lack of continuous follow up and proper risk assessment is the first and the most major cause of nonperforming loan at bank level (59.0%) followed by problems associated with loan eligibility criteria, lack of consultation and communication with defaulter, lack of sufficient credit information from other Commercial banks, Mistake on estimation of Collateral and evaluating the borrower's financial report and other. Since lack of continuous follow up and proper risk assessment is the major causes of nonperforming loans at Bank Level, the Bank is expecting to correct this problem in the future to avoid excess nonperforming loan.

**Table 4: Causes of nonperforming loan at bank level**

Item	Response	Percent	Rank
What are the major causes of nonperforming loans at Bank Level?	Lack of continuous follow up and proper risk assessment	59.0	1 <sup>st</sup>
	Lack of consultation and communication with defaulter	9.0	3 <sup>rd</sup>
	Lack of sufficient credit information from other commercial banks	7.7	4 <sup>th</sup>
	Mistake on estimation of collateral and evaluating the borrowers' financial reports.	3.8	5 <sup>th</sup>
	Problems associated with loan eligibility criteria	19.2	2 <sup>nd</sup>
	Other	1.3	6 <sup>th</sup>

Source: primary data

#### 4.3.4.3. Causes of nonperforming loan at Economic level

Table 4.3.4.3 showed that most of the respondents replied unstable political situation (52.6%) as a major (1st) cause at economic level. On the other hand, weak economic plan and strategy implementation (26.9%) stands in the 2nd place. The rest of the respondents said change in fiscal and monetary policies are the causes of NPL at economic level (10.3%) stands at 3rd. This implied that the political system is also contributed in the major causes of nonperforming loans at Economic Level. So, it is important to stabilize a political situation in the country to have a balanced economic stability by reducing nonperforming loans.

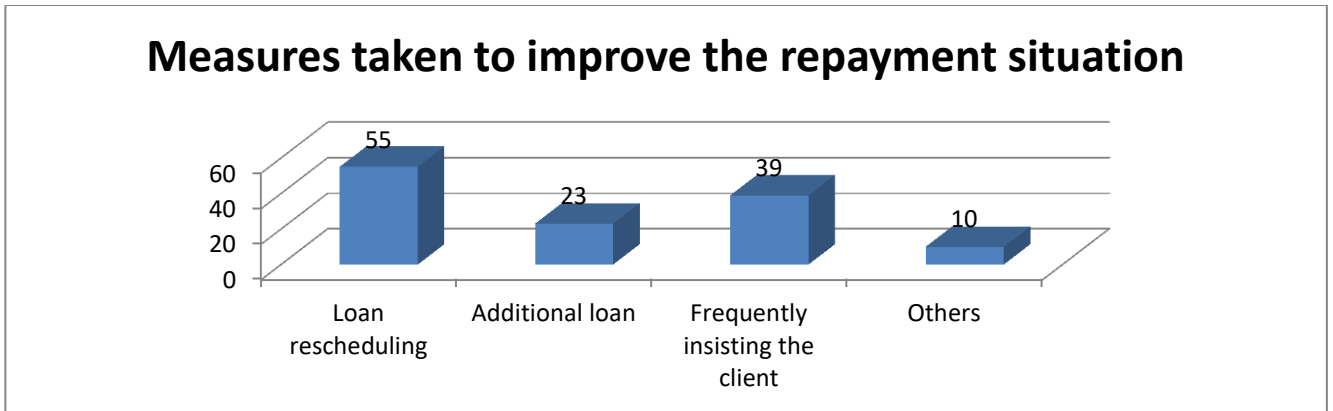
**Table 5: Causes of nonperforming loan at economic level**

Item	Response	Percent	Rank
What are the major causes of nonperforming loans at Economic Level?	Unstable political Situation	52.6	1 <sup>st</sup>
	Excessive government intervention	3.8	4 <sup>th</sup>
	Political power of the borrower	2.6	5 <sup>th</sup>
	Weak economic plan and strategy implementation	26.9	2 <sup>nd</sup>
	Change in fiscal and monetary policies	10.3	3 <sup>rd</sup>
	Other	1.3	6 <sup>th</sup>

Source: primary data

#### 4.3.4.4. Measures taken to improve the repayment situation

The chart below showed that the responses of respondents for the question “What measure/s/ is/are taken on the side of the bank to improve the repayment situation?” Majority of the them replied that Loan rescheduling, 55 (70.5%) is the option of measures taken to improve repayment situation on the side of the bank followed by frequently insisting the client, 39 (50.0%) and only 23 (29.5%) replied additional loan can be other option. The implication according to the result showed that the Bank dominantly used loan rescheduling as measures to improve the repayment situation.



Source: primary data

Figure 4: Measures taken to improve the repayment situation

#### 4.4. Credit Examination and follow-up collection

In relation to credit analysis procedure, as indicated in table below 38.5% and 11.5% of respondents agreed and strongly agree in excellent credit analysis and procedure followed by the bank in extending credit. One (1.3%) and 15 (19.2%) of respondents strongly disagree and disagree respectively. Hence, there is a gap needed to improve the quality of credit analysis and loan processing at head office to the status of excellent level that enables to create quality loan arresting non-performing loans. As it is shown 37 (47.4%) and 7 (9.0%) of the respondents agree and strongly agree with the credit collection technique used by the bank is effective. This indicates that is an effective credit collection technique used by the bank. However, the bank has no an excellent credit analysis procedure. The implication is that the bank needs preparation of implementing an excellent credit analysis procedure in the future.

**Table 6: Participants' Responses on credit examination and follow-up collection**

Characteristics	Measurement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The bank has an excellent credit analysis procedure followed by the bank in extending credit	Frequency	1	15	23	30	9
	%	1.3	19.2	29.5	38.5	11.5
The credit collection technique used by the bank is effective	Frequency	0	10	21	37	7
	%	0.0	12.8	26.9	47.4	9.0

Source: primary data

#### 4.5. The major challenges faced by the bank on credit management practice

According to the table 11 below, 41 (52.6%) and 2 (2.6%) of respondents agreed and strongly agreed respectively that lack of follow-up is a major reason for default of credit in their bank. The major reasons for default were inadequate information about customer credit worthiness which indicated 45 (57.7%) and 7 (9.0%) of the respondents agreed and strongly agreed respectively. Lack of training was the major reasons for default of credit in their bank agreed and strongly agreed by 39 (50.0%) and 11 (14.1%) respondents respectively. 40 (51.3%) and 5 (6.4%) of the respondents agreed and strongly agreed with loan diversion is the major reason for default loan; and 38 (48.7%) and 3 (3.8%) of respondents agreed and strongly agreed with lack of market for client's product respectively. Unfavorable environment conditions were the major reason for default loan agreed by 33 (42.3%) respondents. According to this, the implication is that the Bank should develop clear strategies in avoiding major factors for default of credit in the future.

**Table 7: Participants' Responses on major reasons for default of credit in their bank**

Characteristics	Measurement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Lack of follow – up	Frequency	1	11	22	41	2
	%	1.3	14.1	28.2	52.6	2.6
Lack of training	Frequency	0	11	16	39	11
	%	0	14.1	20.5	50.0	14.1
Inadequate information about customer credit worthiness	Frequency	0	20	6	45	7
	%	0	25.6	7.7	57.7	9.0
Loan diversion	Frequency	2	15	16	40	5
	%	2.6	19.2	20.5	51.3	6.4
Lack of market for clients' product	Frequency	2	17	18	38	3
	%	2.6	21.8	23.1	48.7	3.8
Unfavorable environment conditions	Frequency	1	17	9	33	18
	%	1.3	21.8	11.5	42.3	23.1

Source: primary data

#### 4.6. How does the Bank effectively practice credit management?

In the table 8 below, the researcher would like to know how the organization effectively practiced credit management in order to reduce credit risk. The result showed that most common way of communicating effectively to reduce credit risk is creating clear and

trustworthy information with 74.4 % of respondents agreed. It means that most of the respondents think that creating clear and trustworthy information is a first priority for the bank. The next result was developing understanding between management team and employee which account 68.0%. Regularly communicating among management and staff and fast communication management team and customers were another effective practice of credit management with 65.4% and 61.6% respondents respectively. The 56.4% respondents agreed about creating and maintaining a clear communication. The respondents believed that creating clear and trustworthy information, developing an understanding between management and staff, creating and maintaining a clear, fast and sharp communication in the bank for effective practice of credit management. This has an implication the bank management should goes an important step in credit management practice.

**Table 8: Participants’ Responses on effective practice of credit management**

Characteristics	Measurement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Creating clear and trustworthy information	Frequency	1	7	12	36	22
	%	1.3	9.0	15.4	46.1	28.2
Developing understanding between management team and employee	Frequency	1	12	12	28	25
	%	1.3	15.4	15.4	35.8	32.1
Fast and sharp communication between management team and stakeholders	Frequency	0	10	20	35	13
	%	0.0	12.8	25.6	44.9	16.7
Regularly communicating among management and staff	Frequency	0	13	14	34	17
	%	0.0	16.7	17.9	43.6	21.8
Creating and maintain a clear communication	Frequency	0	14	20	26	18
	%	0.0	17.9	25.7	33.3	23.1

Source: primary data

#### **4.7. Credit examination, credit assessment, credit scoring and credit reports**

##### **4.7.1. Credit examination**

All the values reported in table 9 indicate that there is very little variance between responses given by the bank credit staffs. The overall percentage of all responses is under agreement position and the average agreed response of each item shows different values and varies



between 56.4% and 87.2%. The first item of the risk identification has 62.8% of the respondents agreed, in which the participants have been asked to give their feedback of the bank carries out a compressive and systematic examination of the need of credit relating to each of its declared aims and objectives have satisfactorily identified their potential risks. The higher 87.2% respondents revealed that the bank has developed and applied procedures for credit management practice. Moreover, the average percentage score of all four items is more in agree and indicates that the credit staffs of the bank are better in risk identification. As the result showed there is an implication in the good management practice of the loan since risk examination is important in the control of borrowers to return their loan at the right time.

**Table 9: participants’ responses on risk examination**

<b>Credit examination</b>	Measurement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The bank carries out a compressive and systematic examination of the need of credit relating to each of its declared aims and objectives	Frequency	1	12	14	37	12
	%	1.3	15.4	17.9	47.4	15.4
Changes in credit demand are recognized and identified with the bank’s roles and responsibilities	Frequency	0	14	14	38	10
	%	0.0	17.9	17.9	48.7	12.8
The bank is aware of the strengths and weaknesses of the credit management systems	Frequency	1	11	20	39	5
	%	1.3	14.1	25.6	50.0	6.4
The bank has developed and applied procedures for credit management practice	Frequency	1	4	3	40	28
	%	1.3	5.1	3.8	51.3	35.9

Source: primary data

#### **4.7.2. Credit assessment**

In table below, 55 (70.5%) of the respondents strongly agreed and agreed on the assessment of the bank on the necessity of providing credit. 60 (76.9%) respondents strongly agreed and agreed that the bank analyses and evaluates the opportunities of credit that has to achieve objectives. In the third item, eleven (14.1%) of the respondents disagree and neutral with the question “Before granting credit by the bank undertakes specific analysis including the

applicant’s character, capacity, collateral, and conditions”, 65 (83.3%) of the respondents are strongly agreed and agreed with this item. This indicates that the bank uses specific analysis that explained applicant’s character, capacity, collateral and conditions before granting credit.

The last item has only 42.3% of respondents agreed and strongly agreed, which indicates the bank has a computer-based support system to estimate the earnings and risk management variability, this indicates that the bank uses only manual system or paper-based information transfer which is time taking. And this has an implication in that the Bank used credit assessment in low standards.

**Table 10: participants’ responses on credit assessment**

<b>Credit assessment</b>	<b>Measurement</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
The bank assesses the necessity of providing credit	Frequency	0	7	14	49	6
	%	0.0	9.0	17.9	62.8	7.7
The bank analyses and evaluates the opportunities of credit that has to achieve objectives	Frequency	0	2	14	48	12
	%	0.0	2.6	17.9	61.5	15.4
Before granting credit by the bank undertakes specific analysis including the applicant’s character, capacity, collateral, and conditions	Frequency	0	5	6	42	23
	%	0.0	6.4	7.7	53.8	29.5
The bank has a computer-based support system to estimate the earnings and risk management variability	Frequency	8	4	31	24	9
	%	10.3	5.1	39.7	30.8	11.5

Source: primary data

#### **4.7.3. Credit scoring**

The values reported in table below indicated that respondents have quite similar responses. In the item of “The bank effectively monitors the credit limit of everyone counterparty”, 5 (6.4%) of the respondents were disagreed. This indicates the bank effectively monitors the credit limit of everyone counterparty. Similarly, seven (9.0%) respondents strongly disagree and disagree that “The borrower’s business performance is regularly observed by the bank following the extension of financing”. This indicates that the business is observed before disbursement; the borrower’s business is regularly visit after disbursement to minimize the

future credit risk for the bank. The average percentage of both items on the five-point Likert scale is good in risk monitoring and controlling. This implied that the credit scoring of the Bank is somehow good.

**Table 11: Participants’ responses on credit scoring**

<b>Credit scoring</b>	Measurement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The bank effectively monitors the credit limit of everyone counterparty	Frequency	0	5	24	36	11
	%	0.0	6.4	30.8	46.2	14.1
The borrower’s business performance is regularly observed by the bank following the extension of financing	Frequency	1	6	16	43	10
	%	1.3	7.7	20.5	55.1	12.8

Source: primary data

#### 4.7.4. Credit reports

The table below showed that the item “The bank has adopted a standard reporting system about the credit management practice from bottom to top management” has 71.8% of respondents strongly agreed and agreed, which indicates that the bank has adopted a standard reporting system about the credit management practice from bottom to top management. In item “The bank regularly prepares periodic report of credit”, sixty-one (78.2%) respondents agreed with the bank regularly prepare periodic report. This indicates that the bank has an excellent periodic reporting system to control credit risks. And that is useful in identifying the gap regarding the credit and avoiding the problem occurred regarding the loan earlier.

**Table 12: Participants’ responses on credit reports**

<b>Credit reports</b>	Measurement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The bank has adopted a standard reporting system about the credit management practice from bottom to top management	Frequency	2	3	15	35	21
	%	2.6	3.8	19.2	44.9	26.9
The bank regularly prepares periodic report of credit	Frequency	0	0	15	29	32
	%	0.0	0.0	19.2	37.2	41.0

Source: primary data

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1. Summary**

This chapter emphasized and highlighted summary of certain findings, conclusion and recommendations of the analyzed data. The main concern of this study is to collect necessary information about credit management practice at Dashen Bank S.C.

The Researcher used descriptive research method to make the study complete. All relevant primary and secondary data were collected through interview and Questionnaires. This study was done at Head office of the bank. The questionnaires give to employees and all staffs who have direct relation with credit duties.

The following are major findings of the study:

A total of 78 study participants were involved in this study. The gender mix of respondents showed that male was the dominant, 58 (74.4%), gender. Majority of study participant's age lies between 31 – 40 years which is a share of 70.5% and out of the total respondents, 70.5% were master's degree holder. Clerical position was the majority of managerial position followed by line management which were 32 (41.0%) and 27 (34.6%) respectively; and 66.7% of the respondents worked in Dashen Bank were between 5-10 years.

Out of the total respondents, equal number of respondents, 25 (32.1%), were reported 8-14 days and 15-21 days taken to process for a given loan application. Only 33 (42.3%) study participants reported that they agree about the procedure followed for loan approval by the bank is satisfactory.

Regarding the financial analysis before extending the loan, 35 (44.9%) and (46.2%) of the respondents replied that 'strongly agree' and 'agree' respectively for the question the bank assess borrowers past financial history, Credit worthiness and perform detailed financial analysis before extending the loans.

9.0% of the respondents replied that the bank used all mechanisms in order to collect the loan, but 24.4% and 19.2% of the respondents said that extension of the life of the loan and repayment of loan structure as a mechanism to collect the loan respectively.

The cause of nonperforming loan at borrower level was diversion of the borrowed fund to other than initially intended purposes stands 1st (44.9%), lack of proper business plan takes the 2nd (34.6%) and contingencies at borrowers e.g. death, sick holds stands at 3rd place (16.7%).

The cause of nonperforming loan at bank level was lack of continuous follow up and proper risk assessment is the first (59.0%) followed by problems associated with loan eligibility criteria, lack of consultation and communication with defaulter, lack of sufficient credit information from other Commercial banks, Mistake on estimation of Collateral and evaluating the borrower's financial report and other.

The cause of nonperforming loan at Economic level was unstable political situation (52.6%) as a major (1st), weak economic plan and strategy implementation (26.9%) stands in the 2nd place and change in fiscal and monetary policies (10.3%) stands at 3rd.

Loan rescheduling, 55 (70.5%), is the main option of measures taken to improve repayment situation on the side of the bank followed by frequently insisting the client, 39 (50.0%). In relation to credit analysis procedure, 38.5% and 11.5% of respondents agreed and strongly agree in excellent credit analysis and procedure followed by the bank in extending credit. 41 (52.6%) and 2 (2.6%) of the respondents agreed and strongly agreed respectively that lack of follow-up is a major reason for default of credit in their bank.

The major reasons for default were inadequate information about customer credit worthiness which indicated 45 (57.7%) and 7 (9.0%) of the respondents agreed and strongly agreed respectively. Most common way of communicating effectively to reduce credit risk is creating clear and trustworthy information with 74.4 % of respondents agreed. It means that most of the respondents think that creating clear and trustworthy information is a first priority for the bank.

62.8% of participants have been asked to give their feedback of the bank about risk identification, a compressive and systematic examination of the need of credit relating to each of its declared aims and objectives have satisfactorily identified their potential risks. 55 (70.5%) of the respondents agreed on the assessment of the bank on the necessity of providing credit. 60 (76.9%) respondents agreed that the bank analyses and evaluates the opportunities of credit that has to achieve objectives.

In the item of “The bank effectively monitors the credit limit of everyone counterparty”, five (6.4%) of the respondents were disagreed. This indicates that the bank effectively monitors the credit limit of everyone counterparty. The item “The bank has adopted a standard reporting system about the credit management practice from bottom to top management” has 71.8% of respondents agreed, which indicates that the bank has adopted a standard reporting system about the credit management practice from bottom to top management.

## 5.2. Conclusion

This study focused on examining the credit management practices of Dashen Bank. This result indicated that an effective credit management practice of a bank depends up on a number of important factors. The effectiveness of the credit management practices depends up on the proper understanding of credit management among the bank staffs. Furthermore, it is very important for bank to formulate on active credit management process to identify measure, monitor and control credit risks. The study summarizes that the bank used different credit management tools, techniques and assessment models to manage their credit risk, the credit management, i.e. to reduce the amount of loan default.

The bank faced problems with credit management practice including non-performing loan at various levels and identified the causes of NPL. At borrower level, diversion of the borrowed fund to other than initially intended purposes, lack of proper business plan and contingencies at borrowers e.g. death, sick holds stand were identified. At bank level, lack of continuous follow up and proper risk assessment, problems associated with loan eligibility criteria, lack of consultation and communication with defaulter, lack of sufficient credit information from other Commercial banks, Mistake on estimation of Collateral and evaluating the borrower's financial report and other were also identified. Finally, at the Economic level were unstable political situation, weak economic plan and strategy implementation and change in fiscal and monetary policies.

The major reasons for default were inadequate information about customer credit worthiness which indicated 45 (57.7%) and 7 (9.0%) of the respondents agreed and strongly agreed respectively. Most common way of communicating effectively to reduce credit risk is creating clear and trustworthy information with 74.4 % of respondents agreed. It means most of respondents think that creating clear and trustworthy information for the bank.

The bank routinely examines the need of each of its credit relating demand in a compressive and systematic way to declare aims and objectives. And have satisfactorily identified their potential risks. Additionally, the bank assessed the necessity of providing credit; it analyzes and evaluates the opportunities of credit that has to achieve objectives. The bank even effectively monitors the credit limit of everyone counterparty. The bank has also adopted a

standard reporting system about the credit management practice from bottom to top management.

The survey shows the respondents identified commitment and support from top management as the most important. Top level management responds to business processes and manages credit risk. Most of the organizations believe that it is the responsibility of the board of directors or committee and executive management team to establish credit risk management. Top management decides the objectives and strategies for organizational credit management activities, mission and overall objectives. The survey shows the respondents credit management becomes a part of good business practice. The paper shows the means of communication that they use to reduce credit risk. The result shows that the most common way to communicating effectively to reduce risk is developing understanding between management team and employer. The collection techniques so far adopted by the bank is appropriate and convenient to most loan clients to manage it. Consistent to the convenience of the collection techniques, the repayment behavior of most loan client is improved to the required level revealing one step forward in the culture of meeting obligation and trustworthiness.

## **The Research Questions & Answers**

1. What are the problems faced by the bank with credit management practice? The bank faced problems including Non Performing Loan was identified & placed sequentially.
  - Causes of Non Performing Loan at borrower level: Diversion of the borrower fund to other purpose 1<sup>t</sup>, Lack of proper business plan 2<sup>n</sup>, Contingencies of borrowers e.g. death, sick 3<sup>rd</sup>.
  - Causes of Non Performing Loan at Bank level: Lack of continuous follows up & proper risk assessment – 1<sup>st</sup>, Difficulties of loan eligibility criteria – 2<sup>nd</sup>, Lack of consultation and communication with defaulter – 3<sup>rd</sup>
  - Causes of Non Performing Loan at Economic level: Unstable political Situation 1<sup>st</sup>, Weak economic plan and strategy implementation 2<sup>nd</sup>, Change in fiscal and monetary policies 3<sup>rd</sup>.



**In addition** : Lack of sufficient credit information from other Commercial banks, Mistake on estimation of Collateral & Evaluation deficiency the borrower's financial report and others were also identified as the bank faced problems.

2. What is the strength of the bank on credit management practice? The strength of the bank that respondents reported as quite similar as follow:-
  - The bank routinely examines need of each credit demand in a systematic way.
  - The bank even effectively monitors the credit limit of everyone counter party.
  - The bank also adopted a standard reporting system of credit management practice from bottom to top management.
  - The Bank satisfactorily identified their potential credit risks.
  
3. Does the bank use applicable credit management and collection strategies?
  - The adopted collection techniques by the bank are appropriate and convenient to most loan clients.
  - The Consistent collection techniques & repayment behavior of most loan client is improved to the required level.
  - The survey shows credit management becomes a part of good business practice.
  - The effectiveness of the credit management practices scale depends on the proper understanding of employees.
  
4. How is the credit granting process of Dashen bank Share Company supporting the credit management process?

The credit granting process is very complex with paper works. The implication of paper works also making very long procedures and difficult for both credit officers and customer's problem to accomplish the loan process.

### **5.3. Limitation of the study**

Some of the limitation of the study was: -

- ❖ When processing this study the researcher was also involved in another professional work that makes excessive pressure & time constrain.
- ❖ Accordingly, that researcher is limited to only one private bank in Ethiopia specifically in DASHEN BANK head quarter.
- ❖ In addition, Credit management practices were strict in nature & some requirements were not be suitable to get a loan data easily.

## **5.4. Recommendations**

Based on the basis of the results and conclusions, the following recommendations are suggested so as to be considered in the future intervention strategies which are aimed at improving the credit management of the bank.

- Since, one of the major weaknesses that were identified from this finding was lack of effective loan monitoring by credit officers due to the deficiency of supervision. So, it is recommended that Dashen Bank's management needs to develop measurements to confirm that the credit officers fulfill the entirely credit delivery policies of the organization.
- The Bank should have credit management policy and strategy that incorporate the ideas of the clients and employees to become more competitive in the banking industry and meet its vision. Furthermore, banks should provide training and development to employees who are involved in credit operations in order to maintain asset quality and enhance the aptitudes and abilities.
- One of the major causes of NPLs at borrower level was diversion of the fund other than the intended purpose of the loan. In this regard the credit officers of the bank should play an important role as a consultant. To address this, the Bank should have clear and trustworthy information that are useful in maintaining a clear communication between management team, stakeholders and staff.
- The periodic repayment schedule of the Bank should be flexible by considering the operation of the client's business as repayment duration has its impact on the performance of loan collection.
- The bank is strongly advised to create mechanism for effective application of the computerized system.
- The bank is advised to develop different types of credit facilities to the borrower. In this competitive world, the bank must try to advance the credit policy in line with the existing status of the market.

- Finally, further studies would be recommended to be conducted using various methods of data collections with larger sample size of generating more accurate findings of credit management on the structure of financial organizations.

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## Part II: Questions on Credit Management & Practice

7) How long will it take to process a given loan application?

1. Below 7 days
2. 8 - 14 days
3. 15 - 21 days
4. 22 - 28/30 days
5. Above one month

No	Characteristics	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
8	Do you believe the procedure followed for loan approval by the bank is satisfactory?					
9	Does the bank assess borrowers past financial history, credit worthiness and perform detailed financial analysis before extending the loans?					
10	Is there any credit follow up techniques and procedures designed and implemented by the bank?					

11) When the borrowers face a certain problem and unable to pay the loan, what mechanism do you apply in order to collect the loan?

1. Extension of the life of the loan
2. Injection of additional loans
3. Rearrangement of loan repayment structure
4. Others\_\_\_\_\_

12) What are the major causes of nonperforming loans at Borrower Level? (Please rank them)

1. Lack of proper business plan
2. Contingencies at borrowers e.g. death, sick

3. Diversion of the borrower fund to other purpose
4. Insufficient credit awareness
5. Unwilling customer to disclose the information required
6. Willful default/unwillingness to pay

13) What are the major causes of nonperforming loans at Bank Level? (Please rank them)

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

14) What are the major causes of nonperforming loans at Economic Level? (Please rank them)

1. Unstable political Situation
2. Excessive government intervention
3. Political power of the borrower
4. Weak economic plan and strategy implementation
5. Change in fiscal and monetary policies
6. Other

15. What measure/s/ is/are taken on the side of the bank to improve the repayment situation?

1. Loan rescheduling
2. Additional loan
3. Frequently insisting the client
4. Others, (Specify) \_\_\_\_\_

## II. Credit Examination and Follow-up Collection

No	Characteristics	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
16	The bank has an excellent credit analysis procedure followed by the bank in extending credit					
17	The credit collection technique used by the bank is effective					

## III. The major challenges faced by the bank on credit management practice

No	Characteristics	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
18	Lack of follow – up					
19	Lack of training					
20	Inadequate information about customer credit worthiness					
21	Loan diversion					
22	Lack of market for clients' product					
23	Unfavorable environment conditions					

## IV. How does the Bank effectively practice credit management?

No	Characteristics	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
24	Creating clear and trustworthy information					
25	Developing understanding between management team and employee					
26	Fast and sharp communication between management team and stakeholders					
27	Regularly communicating among management and staff					
28	Creating and maintain a clear communication					

**V. Credit examination, credit assessment, credit scoring and credit reports**

No	Characteristics	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	<b>Credit examination</b>					
29	The bank carries out a compressive and systematic examination of the need of credit relating to each of its declared aims and objectives					
30	Changes in credit demand are recognized and identified with the bank's roles and responsibilities					
31	The bank is aware of the strengths and weaknesses of the credit management systems					
32	The bank has developed and applied procedures for credit management practice					
	<b>Credit assessment</b>					
33	The bank assesses the necessity of providing credit					
34	The bank analyses and evaluates the opportunities of credit that has to achieve objectives					
35	Before granting credit by the bank undertakes specific analysis including the applicant's character, capacity, collateral, and conditions					
36	The bank has a computer based support system to estimate the earnings and risk management variability					
	<b>Credit scoring</b>					
37	The bank effectively monitors the credit limit of everyone counterparty					
38	The borrower's business performance is regularly observed by the bank following the extension of financing					
	<b>Credit reports</b>					
39	The bank has adopted a standard reporting system about the credit management practice from bottom to top management					
40	The bank regularly prepares periodic report of credit					

**Thank you once again for your participation.**

## **Declaration**

I the undersigned, declared that the thesis entitled “ASSESSMENT OF CREDIT MANAGEMENT PRACTICE AT DASHEN BANK” is my original work, prepared under the guidance of Advisor Dr. Tiruneh Legesse. All the sources of materials used for this thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

NAME: HAIMANOT NIGUSSIE

SIGNATURE: \_\_\_\_\_

ST. MARY’S UNIVERSITY

JANUARY, 2021

ADDIS ABABA