ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

ASSESSMENT OF CREDIT MANAGEMENT PRACTICES: THE CASE OF LION INTERNATIONAL BANK S.C

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MAY, 2021

ADDIS ABABA, ETHIOPIA

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APPROVED BY BOARD OF EXAMINERS

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DECLARATION

I hereby declare, that the thesis report entitled, "***The Assessment of Credit Management practice: The case of lion International Bank S.C***" written and submitted by me to School of Gradate Study (St. Mary's university), in partial fulfillment of the requirements for the degree of **MASTERS OF ACCOUNTING AND FINANCE**. This is my original work and conclusions drawn are based on the material collected by me.

I further declare that this work has not been submitted to this or any other university for the awards for of any other degree, diploma or equivalent course.

Selam Girmay

Signature_________________

Date ____________________

STATEMENT OF CERTIFICATION

This is to certify that Selam Girmay has carried out this research work on the topic entitled, "***The Assessment of Credit Management practice: The case of lion International Bank S.C***" under support of my Advisor. This work is original in nature and it is sufficient for submission for the partial fulfillment for the award of Master of Accounting and Finance

Advisor Mohammed Seid (Ass. Professor)

Signature_________________

Date ____________________

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LIST ACRONYMS/ABBRIVATION

LIB – LION INTERNATIONAL BANK S.C

CM – CREDIT MANAGEMENT

NBE – NATIONAL BANK OF ETHIOPIA

NPL – NON PERFORMING LOAN

SPSS – STASTICAL PACKAGE FOR SOCIAL SCIENCE

S.C – SHARE COMPANY

CRO – CREDIT RELATIONSHIO OFFICER

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ABSTRACT

This study intends to assess credit management practice of Lion International Bank S.C based on three basic dimensions namely the practice of the bank in managing it's credit management policy and procedures in loan processing, loan provision and credit collection practice. The data were gathered from all credit management department staff of the head office and branches found in Addis Ababa. Both primary and secondary source of data were used. Questionnaire and interview was used as a main instrument to collect primary data while the secondary data is collected from the bank's annual reports (2016-2020). The questionnaires were prepared in a common Likert-scale format. Among the distributed 60 questionnaires about 90% has completely filled and returned. Researcher used a quantitative research approached. Due to the nature of the study the descriptive research design were used. Census method was used to select a target respondent. The study findings revealed that lack of credit collection follow up, poor credit culture and instability of the country were a major reason for default. Also on a positive note the bank's credit policy and procedure is in line with NBE's rules and regulation. Finally, this study ends up with some recommendations were the bank should strengthens its credit collection follow up system and also Credit management policy and procedures of the bank should frequently reviewed and updated.

Key Words; Credit management, Credit monitoring, Credit policy, Credit management practice

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Credit management is the process of granting credit, setting the terms on which it is granted, recovering this credit when it is due, and ensuring compliance with company credit policy. Myers and Brealey (2013), define these practices as the strategies that organizations use to have an acceptable level of credit and to manage this level effectively. According to Shekhar (2005), credit management means the total process of lending starting from inquiring potential borrowers up to recovering the amount granted. Credit management includes instituting proper rightful policies and measures that will make sure that proper authorities give out loans, the loans get to the right customers, and the loan is given for productive reasons which are economically viable and appropriate (Asiedu-Mante, 2011).

Credit management is extremely important as granting credit is considered to be the equivalent of investing in a customer. Credit analysis is the first step in the process to tailor-make solution to fit the customer's needs. The assessment starts with an understanding of the customer's needs and capacities to ensure whether there is a good fit in terms of the financing solution (Hettihewa, 2001). Credit management greatly influences the success or failure of commercial banks and other financial institutions. This is because the failure of deposit banks is influenced to a large extent by the quality of credit decisions and the quality of the risky assets. Credit management provides a leading indicator of the quality of deposit banks credit portfolio (Nzotta, 2004).

Scheufler (2002), proposes that a credit policy creates a common set of goals for the organization and recognizes the credit and collection department as an important contributor to the organization's strategies. If the credit policy is correctly formulated, carried out and well understood at all levels of the financial institution, it allows management to maintain proper standards of the bank loans to avoid unnecessary risks and correctly assess the opportunities for business development. The overall success in credit management depends on the banks credit policy, portfolio of credit, monitoring, supervision and follows up of the loan and advance

Banks play an important function in the economy of many countries. They are the main intermediaries between those with excess money (depositors) and those individuals and businesses with viable projects. According to Lalon (2015), credit management practices are considered as an integral component for the success of the banks. This is attributed to the fact that commitment to the credit management practices ensures long term survival of the banking institutions through shielding from default loans (Kithinji, 2010).

Saunders & Allen (2010), argued that poor credit management practices have adverse negative effects on the banks resulting in reduced profitability and liquidity problems due to compressed profit margins from the rising NPLs, hence bringing about the most challenging environment for banks. Since, banks earn their highest gross profits from loans; the administration of loan collection seriously affects the profitability of banks. Indeed, large number of uncollected amount of loan or non-performing loans is the main cause of bank failure (Rehm, 2002). Therefore, there is a need of effective credit supervision where loans should be very well managed to minimize potential risks that may affect the bank's performance. Effective credit management practices help the banks to ensure selection of right type of loan proposals, projects, enterprise and right type of borrowers. That is why the researcher has planned to assess LIB's credit management practice.

Lion International Bank S.C. is one of the emerging financial institutions engaged in providing credit, like other commercial banks in the country. Since established on October 02, 2006 the bank provides multitude of banking services to its clients ranging from deposit mobilization from those customers who have excess fund to extending various credit facilities and allocation of foreign currencies to those needy customers who can qualify for the respective services. The vision of the Bank was "To be the Leading Bank in Ethiopia by the year 2035". The Bank was leading by eleven member of Board of Directors elected by the General Assembly to decide on policy matters and oversee the overall performance of the bank. The bank has a president who is appointed by the Board of Directors, responsible for the day to day activities and accountable for the financial and operational performance of the Bank. LIB has been playing a significant role in providing loans to its customers that enhance the investment needed in the country.

1.2 Statement of the Problem

Credit Management refers to the efficient credit policy variables to ensure prompt collection of loans granted to customers and at the same time enhancement their confidence in and loyalty to the bank (Ankra, 2011). If the loan is well managed by financial institutions; it will increase the bank's profitability and sustainability in the future. However, if failed to do so, it will be the major threat to their survival (Koch & MacDonald, 2003).

One of the primary roles of commercial banks is to advance credit to their customers. The higher the volume of bad debts written off from the profit of the bank the lower the net profit and thus, the amount available for distribution as dividends to shareholders, this also limits the amount ploughed back into the business (Basil, 2013).

Lion International Bank is one of private banks in Ethiopia playing an important role in country's economy and social life. Among the various services provided by the bank, lending has been the primary activity for over a decade. Bank loans fluctuate and influence by the changes in the economic policy and the economy in general. It is very important for the bank to formulate and update their loan policies in order to minimize risk associated with them. A loan default that results from poor credit management reduces bank's lending capacity. It also denies new applicant's access to credit as the bank's cash flow management problem augment in direct proportion to the increasing 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. It also increase the bank's legal cost if the loan pass the workout stage and the case goes to court.

Most of the studies conducted on credit management in Ethiopia are focused on big banks in Ethiopia. For instance, Hable (2018) assessment of credit management practice at united bank. Selamawit (2017) also conducted research on the assessment of credit management practice: in case of awash international bank. Habtamu (2015) conducted on assessed factors affecting non-performing loans in five big Private Commercial banks, Awash International Bank S.C, Dashen Bank S.C, Bank of Abyssinia S.C, Wegagen Bank S.C and United Bank S.C. For the reason that, the researcher motivated to make an assessment on credit management practice of LIB. In addition to this, the main problem that banks encounter in credit administration is that some of the granted credit facilities are not re-paid leading to a loss of depositor's funds and emergence of bad debts. Due to Non-Performing Loan (NPL) position of the bank getting increased in five reported fiscal years (2016-2020). It becomes a matter of compelling urgency to assess credit management Practice of LIB's.

1.3 Research Questions

- How consistently does the bank comply with its own policy and procedures in entertaining loan applications, loan processing, and collecting?
- To what extent is the bank accelerating the performance of credit management in line with the policy and National Bank requirements?
- What action has Lion International Bank taken so far to control or minimize the bank's non-performing loans?

1.4 Objective of the Study

In view of the stated problems the general and specific objectives of the study are stated as follow.

1.4.1 General Objective

The major objective of the study is assessment of credit management practice of Lion International Bank.

1.4.2. Specific Objective

- To evaluate the credit monitoring process in Lion International Bank S.C.
- To assess the loan provision of the bank.
- To evaluate the credit collection practice of the bank.

1.5 Significance of the Study

The research might have a big contribution to the bank to develop effective follow up and collection methods of the credit. The research will be equally used the study to enrich the body of knowledge in the finance discipline and bridge the gap existing in the study of credit management practice. The study shall enable the users especially banks to be able to assess and evaluate their credit policies and to review their operations critically. It also provide contributions to improve the practice and the existing knowledge on credit management practice and it would be use as a source of information for other similar financial institutions.

The study will further provide background information to research organizations and scholars to identify gaps that could help act as a benchmark for researchers who are interested in the area.

1.6 Scope of the Study

Due to the concern on the availability of data, time and budget the study was cover Lion International Bank as a sample among other private banks. The study was focused on the assessment of credit management practice of Lion International Bank. The study also limited itself to examining the assessment of credit management practices of Lion International Bank S. The research mainly limited to time period from 2016 to 2020. To collect primary data the research has limited to structured questionnaires and interview, whereas for secondary data the researcher used review of working policy and procedure, audit reports for the fiscal years (June 30, 2016- June 30, 2020), NBE directives and other related publications.

1.7 Ethical Consideration

Ethics are norms or standards of behavior that guide moral choices about researcher(s) behavior and his or her relationship with others (participants or organization). Ethical norms are important in serving the objectives and goals of research and people who conduct scientific research should apply the ethical norms. In addition to this in achieving the goal of ethical consideration (i.e ensure the privacy as well as the security of the researcher, participant and organization in advance from problems such as citation, data protection, consent, confidentiality and so on that could rise during conducting the research). Therefore, the researcher has gave a big attention to these consideration and other valuable issues during conducting the research.

1.8 Organization of the Study

The study was organized into five chapters. The first chapter introduces the background of the study, statement of the problem, the research objectives and questions, significance of the study, scope of the study and organization of the study. The second chapter will presents theoretical and empirical review of the related literatures. The third chapter will deals with methodology of the study. The fourth chapter will concerned with data analysis and interpretation. The last chapter will includes findings, conclusions and some recommendations forward by the research.

CHAPTER TWO

2 LITERATURE REVIEW

The purpose of this chapter is to describe and document what has been recorded in different material, literatures and authors about banks credit management practice. For this particular study, the researcher has documented the views, concepts and definition forwarded form selected manual and authors on credit management practice.

2.1 Theoretical Concepts

2.1.1 Definition of Credit

The word credit is derived from the Latin word Creditum, which means to believe or trust. In economics, the term credit refers to promises by one party to pay another for money borrowed or goods or services received. It is a medium of exchange to receive money or goods on demand at some future date (Jhibgan, 2002). Another definition claims that the word credit originated from the Latin word “Credo” which means ‘I Believe’. Credit is a matter of faith in the person and no less than the security offered. Credit is purchasing power not derived from income, but by financial institutions either as an offset to idle incomes held by the depositors in the bank, or as a net addition to the total amount of purchasing power. In fact, no economy can function without credit. These days all economic transactions are settled by means of credit instruments. It is the very life blood of modern business and commercial system (Cole, 2000).

2.1.2 Definition of Credit Management

There are many definitions given for credit management by different scholars. Among these some are here cited as follows: -

Credit management is the strategies one uses to collect and control credit payments from clients. Myers and Berkley (2013), describe credit management as methods and strategies adopted by a firm to ensure that they maintain an optimal level of credit and its effective management. Nelson (2012) defines credit management as the practices used by an organization to manage the sales they make on credit. It is an essential practice for all the organizations that have credit transactions since some have managed their credit activities so well that they have zero credit risk. Credit management is implementing and maintaining a set of policies and procedures to minimize the amount of capital tied up in debtors and to minimize the exposure of the business to bad debts Hagos (2010).

Wise (2014) describe credit management as the process of building a series of investments based upon credit relationships and managing the risks involved with these investments. Therefore, credit management encompasses assessing the risk involved with each loan and then analyzing the total amount of risks for all loans. The major objective of credit management is to reduce the amount of loans default. Banks reduce the loan portfolio default risk by considering the credits repayment history of both individuals and groups applying for loans.

According to Asiedu-Mante (2011) credit management involves the setting up of legal and formal systems and policies that will guarantee that the appropriately designated staff are well positioned to grant credit, the facility goes to the people with the right credit history, the loan is given out for profitable activities or for businesses which have a strong financial and technical viability, the correct amount of credit is disbursed, the credit can be recovered and the flow of management information is sufficient within the organization to allow for effective monitoring of credit activity. He therefore viewed it as the putting in place of systems that act as a check right from the credit granting process to the point of collection.

2.1.3 Dimension of Credit Management

According to Pandey, (1997) credit management particularly performs the following core concepts in relation to credit policy:

- **Formulation of credit policy**: - for firms with usual credit sales the prime responsibility is formulation of credit policy which includes the decision about three credit terms that is cash discount, discount period and credit period. Credit term refers to the duration of credit and the term payment of customers including discount if any credit standard specifies the attributes customer should demonstrate to get credit.
- **Evaluation of credit policy**: - these involve evaluating the credit applicant's worthiness. It involves three steps: a. Collection of credit information. Analyzing and evaluating information. Making of credit decision

- **Implementation of credit policy**: - once credit policy is formulated and evaluated the next step is adapting and using it.
- **Administering and controlling credit policy:** -the purpose of this step is to check and control whether implemented policy is properly working or not.

2.1.4 Components of Credit Policy

There are three components of credit policy. They are credit standard, credit terms and collection Policy Pandey, 2010).

1. **Credit standards**: - refer to the guidelines issued by a company that are used to determine that a potential borrower is credit worthy. Credit standards are often created after careful analysis of past borrowers and market conditions, and are designed to limit the risk of a borrower no making credit payments or defaulting on loaned money.
2. **Credit terms**: - specify the length of credit period and the discount given early payment. The common credit term for the firm to offer of "net 30" or "2/10 net 30". Net 30 means the customer must pay its bill within 30 days of the invoice date. Term 2/10 net 30 means the customer is offered a 2% discount if payment is made within 10 days of the invoice date. Otherwise, the full amount of the receivables is due in 30 days. The stated terms of credit extension will have a strong impact on the eventual size of the accounts receivable balance.
3. **Collection policy**: - refers to the procedures that firms follow to obtain payment of past due account. Generally, the more quick account receivable is converted into cash the greater will be the profit. Collection policy is the final element in credit policy. It involves to spot trouble in obtaining payment of past due accounts.

2.1.5 Credit Information

According to Pandey, IM (2011) extending credit to customer, the firm would ensure that receivable will be collected in full and on due date. Credit should be granted to those customers who have the ability to make the payment on time. To ensure this, the firm should have credit information concerning each customer to whom the credit will be granted. Collecting credit information involving cost the cost of collecting information should therefore be less than the potential profitability. Depending on two factors of time and cost, any, or the combination of the following source may be employed to collect the information.

1. **Financial status**: one of the easiest ways to obtain information regarding the financial condition and performance of the prospective customer is to scrutinize his financial statement -balance sheet and profit and loss account. The credit granting firm must insist on the Audited financial statement. in case of firms that have seasonal sale, date of monthly sales, inventory and cash flow ought to be sought and analyzed
2. **Bank reference**: another source of collection credit information is the bank where the customer maintains his account. The firm should seek to obtain the information through its bank. A customer can also be requested to instruct his bank to provide information required by the firm.
3. **Trade reference**: a firm can ask the prospective customer to give trade reference. It may insist to give name of such person or firms with whom the customer has current dealings. This is a useful source to obtain credit information at no cost. The trade referees may be contacted personally to obtain all relevant information required by a firm.

2.1.6 Credit Planning

Credit planning is used to mean the allocation of financial resources from which ever source they are available. In such way that the plan target of output and investment are achieved in full and distribution of these resources doesn't hamper the implementation of plan programmers. Viewed from this angle credit planning at each level of the banking system is a subsidiary one since the bank credit is only one of the financial resource available from several sources (Shekhor, 1999).

2.1.7 Credit Analysis

According to Abebaw (2015), credit analysis is the primary method in reducing the credit risk on a loan request. This includes determining the financial strength of the borrowers, estimating the probability of default and reducing the risk of non-repayment to an acceptable level. In general, credit evaluations are based on the loan officer's subjective assessment (or judgmental assessment technique).Once a customer requests a loan; bank officers analyze all available information to determine whether the loan meets the bank's risk-return objectives. Credit analysis is essentially default risk analysis, in which a loan officer attempts to evaluate a borrower's ability and willingness to repay.

1. **Character**: The applicant's record of meeting past obligations, financial, contractual, and moral. Past payment history as well as any pending or resolved legal judgments against the applicant would be used to evaluate its character.

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

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

4. **Collateral:** The amount of assets the applicant has available for use in securing the credit. The larger the amount of available assets, the greater the chance that a firm will recover its funds if the applicant defaults. A review of the applicant's balance sheet, asset value appraisals, and any legal claims filed against the applicant's assets can be used to evaluate its collateral.

5. **Conditions:** The current economic and business climate as well as any unique circumstances affecting either party to the credit transaction. For example, if the firm has excess inventory of the items the applicant wishes to purchase on credit, the firm may be willing to sell on more favorable terms or to less creditworthy applicants. Analysis of the general economic and business conditions, as well as special circumstances that may affect the applicant or firm is performed to assess conditions.

2.1.8 Credit Process

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

- **Business Development and Credit Analysis**

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

- **Credit Execution and Administration**

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

- **Credit Review**

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

2.1.9 Credit Approval

Credit approval is the decision passed by the approval committee by which the lender decides whether an applicant is creditworthy or not and should receive a loan. Effective approval process is a key predecessor to favorable portfolio quality, and a main task of the function is to avoid as many undue risks as possible. The goal of credit review or examination is not only to identify current portfolio problems, but it also identifies potential problems that may arise due to ineffective policies, irrelevant trends, lending concentration, or non-adherence to policies. In banking the approval process plays a great role in managing and controlling credit risks related with problems happened due to appraisal mistake through conducting deep analysis and review of the presented document. Every Credit lending institutions should have in their own written guidelines on credit approval process, approval authorities of individuals or committees as well as decision basis. The board of directors should always monitor loans. Approval authorities will cover new credit approvals, renewals of existing credits and changes in terms and conditions of previously approved credits particularly credit restructuring which should be fully documented and recorded (Jappelli& Marco, 2007

Accordingly to Gestel & Baese (2009), the loan policy should include the policy objective, eligibility requirements for receiving a loan, permissible loan purposes, acceptable types of collateral, loan portfolio diversification requirements, loan types, interest rates, terms, frequency of payments, maximum loan sizes per product type, maximum loan amounts as a percentage of collateral values, member loan concentrations, restrictions on loans to employees and officials, loan approval requirements, monetary loan limits, loan documentation requirements and co-signer requirements. Besides the loan policy, credit unions should also develop lending procedures which are developed by the operational management team who are responsible to up-to-date and ensure they are indicative of current lending practices.

2.1.10 Performing Loan

Legally, a loan or credit facility refers to a contractual promise between two parties where one party, the creditor agrees to provide a sum of money to a debtor, who promises to return the said amount to the creditor either in one lump sum or in installments over a specified period of time. The agreement may include provision of additional payments of rental charges on the funds advanced to the borrower for the time the funds are in the hands of the debtor (Wikipedia, 2011).

2.1.11 Non-Performing Loan (NPL)

Loans and advances constitute the primary source of income by banks. Under the Ethiopian banking business directive, Non-performing loans generally 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).

According to Ghasemi (2010) Banks as intermediaries of funds are responsible for attracting resources and inject it in various economic sectors. In the process of resources allocation, banks encounter several risks and nowadays while making profits, one of the most important risks is default risk, which leads to increase in non-performing loans (NPLs). 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 NPLs amount concerned officials and with considering the role of banks in the country's economy, this phenomenon could be named a "national" concern.

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

2.1.12 Lending

One of the central mainstays of financial intermediaries and so to that extent a major focal point in the operations of banks is lending. This is stated by McNaughton (1996), who underscored that risk taking is integral to the credit management process and banks are effective when the danger they take are sensibly controlled and within their budgetary limitations and credit skills. McNaughton was likewise of the perspective that to survive the various dangers associated with credit granting and to succeed, firms must reconsider their bureaucratic propensities with the end of goal of being able to satisfy the monetary exigencies identified within the economic system and help bridge these lapses. The bureaucratic inclinations could accordingly bring about loads of dissatisfactions from loan applicants due to 38 their inability to obtain their credit at the correct time and which may eventually hamper the accomplishment of such undertakings. This is a major setback in a lot of lending institutions in the country as customers have to wait painstakingly in order to get their facilities approved and with timing being a critical factor in loan application, the facility could end up bad since the period of need may have passed already.

2.1.13 Principles of Lending

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

1. **Safety**

The banker must guarantee that the amount granted by him reaches 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 utilized, is reimbursed with premium.

2. **Liquidity**

The debtor ought to be in the capacity to make payments within a feasible 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.

3. **Purpose**

The objective ought to be monetarily compensating so that the cash stays secured as well as provide an ensured wellspring of monetary streams to meet reimbursement plans. The bank must close scrutinize the purpose which the money is required.

4. **Profitability**

Lending rate are affected by the bank rate. The bank should be able to obtain some reasonable profit from the loan

5. **Security**

It has been a practice of bank not to lead as far as possible except against security. Security is considered as a protection or a coverage to fall back upon in the event of a crisis.

6. **Spread**

Another important principle of good leading is the diversification of advance. Ensuring that advances are spread across a broader spectrum of economic activities.

2.1.14 Financial Analysis

The basic elements in credit management and decision-making are Review, appraisal and follow-up. At the time of considering fresh proposals or enhancement proposals, the banker reviews the past operations in order to judge the health status of the client. Timothy (1995) identified three basic elements used in credit management to evaluate the creditworthiness of clients.

a) Review: - is for the past. It should enable the banker to find out whether it is safe to lend to a particular client. In order to arrive at this decision, the banker has to satisfy himself about the risk and viability of the unit. Review of any unit involves assessment of solvency, liquidity and profitability of that unit as revealed by its financial statements, i.e. profit and loss accounts and balance sheets. Review, thus, involves classification of profit and loss account and the balance sheet according to bank's requirement and analysis of these statements.

b) Credit appraisal: - implies consideration of fresh or enhancement proposals on the basis of futuristic data. While appraising proposals, the banker tries to find out: the financial need of the client, end-use of funds, viability of operations and risk involved. In case of proposals involving working capital finance, the banker can ascertain the aforesaid factors only when he/she is supplied with the business plan of the borrower for the ensuring period. Business plan is expressed through operating statement, balance sheet, funds flow, and cash flow statements, all on projected basis.

c) Follow-up:- maybe defined as a continuous activity aimed at ensuring observance of stipulations laid down by the bank, picking up signals on health status of client's position, remedial action and ensuring results of action on a continuous basis. Safety, need-based finance and end-use are the key assumptions of lending. A banker needs various types of data and information from the borrowers for taking the credit decisions. Such information is generally available in various financial statements such as income statement, balance sheet, cash flow statement, funds flow statement, etc. But mere collections of these financial data from the borrowers are of little help unless the banker is able to use these statements; arrange or classify them according to his/her needs and analyze them with a view to draw meaningful conclusions.

2.1.15 Process of Credit Management

The process of credit management begins with accurately assessing the credit-worthiness of the customer base and his/her business viability. This is done by looking in to loan applications carefully which is part of the loan process. This is particularly important if the company chooses to extend some type of credit line or revolving credit to certain customers. Hence, proper credit management is setting specific criteria that a customer must meet before receiving the proposed credit arrangement. Basu and Rolfes (1995) indicate that the success of a financial institution is built on a proper and quality credit management process. As part of the evaluation process, credit management also calls for determining the total credit line that will be extended to a given customer. Several factors are used as part of the credit management process to evaluate and qualify a customer for the receipt of some form of commercial credit. This includes gathering data on the potential customer's current financial condition, including the current credit track record that discloses the character of a customer in meeting obligations as well as collateral value. Generally credit management has three basic steps credit analysis, credit approval and follow-up. The first two are pre-disbursement process while the last one is a post disbarment process.

2.1.16 Credit Application

In the credit management process credit application is the primary step. Regardless of the size and purpose of the loan a loan application is required. Though it may appear as simple questions to the applicants they should understand the importance of the document. The application documents contain detail information about the applicant. The information among other things include: The applicant Name, address, residential address, age, telephone number, marital status, number of dependents, educational background, hometown, the type of business, business location ,number of years in business, reasons for the loan, amount required, the repayment period, security pledge if any and guarantors (Michael Danso 2015). The loan application form makes provision for loans committee's member's approval signature and rejection comment. This document is the most important document as far as the loan agreement is concerned. It is the content of this document which the credit union can take any legal action against a borrower who defaults.

2.1.17 Credit Terms

According to Pandey (2008) credit terms allude to the conditions which guide the firm or the bank organization in offering funds to prospective clients. It refer to the terms under which a monetary organization stipends credit to its clients. In the event that a financial establishment disburses a loan to a client, then the credit terms will indicate the credit period and interest rates. This in this means will have an impact on the execution of credits since it stipulates the season of advance reimbursements and subsequently establishing a platform where reimbursements can be made auspiciously thereby leading to a diminishing in default rate. Pandey prescribes the accompanying as the credit terms:

2.1.18 Credit Period

Credit Period is the calendar of the interest installment and the last payment of the principal. It is duration between credit augmentation time and the time the client is relied upon to reimburse the loan.

2.1.19 Provisions

Loans and advances are financial instruments originated by the bank by providing money to the debtors. There is a 50% chance the loan might be repaid on time, delayed or not at all. For this reason banks set aside finance to cover this loans since they lend out customers deposit which needs to be repaid on demand. This finance to be set aside is called provision. It is stated as costless impairment losses. Impairment losses comprise specific provisions against debts identified as bad and doubtful and general provisions against losses which are likely to be present in any loans and advances portfolio. The Bank follows the National Bank of Ethiopia Supervision of Banking

Business Directives SBB/43/2008 in determining the extent of provisions for impairment losses.

The Directive classifies loans and advances into the following.

1. **Pass Loans** - Loans and advances in this category are fully protected by the current financial and paying capacity of the borrower and are not subject to criticism. It is fully secured, both as to principal or interest payments, by cash or cash substitutes are classified under this category regardless of past due or other adverse credit factors.
2. **Special Mansions** - Any loan or advance past due 30 days or more, but less than 90 days.
3. **Substandard** - Non- performing loans or advances past due 90 days or more but less than 180.
4. **Doubtful** - Non- performing loans past due 180 days or more but less than 360 days.
5. **Loss** - Non-performing loans or advances past due 360 days is classified as loss.

2.1.20 Credit Management Practice

As noted by Abebaw (2015), credit risk continues to remain the largest sources of risk for banking institutions in the world. Effective credit management is therefore vital to ensure that the banking institutions credit activities are conducted in a prudent manner and the risk of potential bank failure; of which success of banks hinge on their ability to manage their credit effectively. Even though there are no strictly laid down credit management practice, most financial institutions practice the following in order to maximize profit as well as to reduce credit risk

2.1.21 Credit control

Credit control is concerned with the post approval and monitoring of the credit facility, to ensure that each credit remains qualitatively satisfactory during the tenure of the credit. It is very important to control the facility after it has been approved to ensure that:

1. The borrower complies with the stipulated conditions
2. The facilities are utilized with the purpose for which they were approved
3. Any deterioration or negative trends in the customers‟ business or prospects are determined and corrective actions taken (Fatima (2013).

2.1.22 Credit Collection Techniques

Effective credit collection techniques are one of the necessities for financial institutions in any economic climate. Knowing how to encourage customers to pay their outstanding debts to financial institutions like banks on time can increase the cash flow of banks. Therefore, a number of collection techniques are employed. Under normal circumstances, loan clients are expected to pay in cash or deposit or keep their installment repayment as per the agreement made. As the loan account becomes past due or overdue the collection effort becomes more personal and strict. The basic techniques are:

- **Telephone Calls**: If the loan client passes the due date, a telephone call may be made to the customer to request immediate repayment and up to date his or her account.
- **Personal visits**: - If the telephone call made is not resulted positive response vesting his business and discussing the issue with the customer can be a very effective collection procedure.
- **Letters**: - If the efforts made so far is unsuccessful and not resulted positive response a polite letter is to be served reminding the customer of its obligation followed by warning letters for the action to be taken in future and its consequence. Collection letters are the first step in the collection process for past due and overdue loan accounts.

- **Using Collection Agencies**: Firms can turn uncollectible accounts over to a collection agency or an attorney for collection. The fees for this service are typically quite high; the firm may receive less than fifty percent on accounts collected in this way.
- **Legal Action**: legal action is the most stringent step in the collection process. It is an alternative to the use of a collection agency not only is direct legal action expensive, but is may force the debtor in to bankruptcy, thereby reducing the possibility of future business without guarantying the ultimate receipt of overdue amount. (http://www.articlesbase.com/finance-articles/3-top-credit-collection-techniquesthat-can-improve-cash-flow-to-your-business-900152.html).

2.2 Empirical Literature Review

Empirical studies that have been reviewed in the preceding section focused on the different institutions issues that affect the credit Management Practice of institutions.

Omoijiodein (2014) has made a comparative research under the topic "Critical Assessment of Credit Management in Nigerian Bank Sector". This comparative study had been made between Union and Zenith banks of Nigeria for the objective of establishing level of Union bank and Zenith bank advance and provision against doubtful debts, to evaluate of Union bank net competitive advantage or disadvantage on credit management and to establish if United bank net competitive advantage or disadvantage against Zenith bank of Nigeria in their credit management. The researcher used secondary data and employed qualitative analysis techniques and evaluate the two banks loan and advances (using balance score card map), financial perspective, loan and advance mix (O/D and loans against doubtful accounts provision), customer perspectives, internal perspe

ctive(relationship management and credit monitoring), and learn and growth perspective(knowledge, innovation technology and reward system) to compare loan and advance of the two banks, against their provision for bad debts, to evaluate responsibility for increasing NPL for Union bank and to analyze competitive strength of the two banks using some success factors. The research findings show that there is an inverse relationship between Union bank's loan portfolios against provision i.e. loan and advance of union bank is lower than Zenith bank's but the provision for union bank is higher due to failure to monitor loan and advance efficiently. Success factor evaluation shows Zenith bank is much better than Union bank of Nigeria.

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

Michael (2015) was conduct a study about the credit management practice of societies in Obuasi Municipality credit unions and he point out how poor qualified and staff affects in the credit management process. In addition to this, the researcher concludes roles of technologies to improve credit management activities in better way. According to the view of the researcher technology helps to maintain consistency in credit decision making. These indicate that this department of the credit union is not resourceful as will be expected from a sector that manages the biggest assets of the societies.

Tekeste (2016), the major findings of the study show that impeding loan growth and rising loan clients complaint on the bank are regarding the lengthy of loan processing, amount of loan processed and approved, loan period, and discretionary limits affecting the performance of credit management and the researcher concludes, credit management activity of the bank needs improvement in devising a strong follow-up unit, devising an office that can control the condition and sanctions at each approval document, establishing coordination among work units. Consequently, the bank should conduct monitoring visit before and after disbursement of the loan, shortening of loan processing and advice customers and give technical support that help to minimize loan loss and diversion of loans.

Hagos (2010), in his Study of credit management a case study of Wegagen Bank Share Company in Tigray Region most of the loans provided are on short-term repayment schedule (Mostly for the purpose of working capital). This is may be due to the limitation of capital base of the bank. However, it is currently causing burden of installment repayment and most of loan clients preferred to be improved as most of the time faces difficulty to manage it accordingly. It is one of the causes for loan client termination. 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. Most of loan clients now a day are considering loan repayment per the contract agreement as ethical and obligation. Moreover, most business people understand the advantage of creating friendship ground with the financial sector as a best strategy to their business growth and success.

The Bank is compliant to all directions of the regulating body in all of its activities of credit management. Hence the way of categorizing and holding provisions for the non-performing loans is as per the direction and requirement of the National bank of Ethiopia. The default problem in the bank is due to market problem, environmental problem, loan diversion, and policy problem like the credit policy of the bank related to loan duration and amount. These all leads to credit risk that has bad consequences on the Bank’s financial stability, clients’ business performance, and economy of the region. The credit analysis and procedures which is being followed by the bank is lengthy and reluctant to approve adequate amount per the requisition and intended purpose of the business, requiring improvement so as to speed up and satisfy the delivery of loan to its clients and become acceptable in the eyes of potential customers.

The periodic repayment schedule of the Bank should be flexible by considering the operation of the clients’ business as repayment duration has its impact on the performance of loan collection. As it is disclosed in the analysis part of the study most of the loan clients and bank employees have complaints on the credit policy and guidelines regarding valuing property offered for collateral, loan discretion, length of loan processing time, repayment schedule, and excessive requirements for analysis. These are the major factors impeding client reputation and retarding to attract potential loan clients. Hence, the bank should made remarkable changes on its credit policy and procedure guidelines regarding the above aforesaid drawbacks in order to solve the current problems and achieve the client reputation.

To the extents of my reviews of related research materials, did not find any general or specific study that made on the assessment of credit management practice in Lion International bank. As a result, this study was designed to fill the aforementioned gaps the credit management practice of Lion international Bank.

2.3 Summary of Knowledge Gap

Most studies which were conducted on credit management have been conceptual in nature and focused only on the industry in general and on big banks in particular. There are limited studies providing the assessment of credit management practice Private Banks in Ethiopia. However, none of them assessed and examined the credit management practice of Lion international bank S.C. Hence, the researcher believed that studying of credit management practice of Lion international bank are the right issue and time in providing relevant information for top managers of the Bank in solving the bank's problems and it also will contribution in filling literature gap about the industry experience in the area.

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

This chapter deals with the methodology of the study whereby the research design, sampling, data collection instruments, data collection procedures and the method of data analysis will be discussed.

3.1 Research Design and Approach

Research design is a master plan or conceptual structure within which research is conducted (Kothari, 2004). It facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible yielding maximum information with minimal expenditure of effort, time and money. The study incorporated quantitative research approach. A qualitative research approach is used to assess the opinion of the respondents towards the factors, their assumptions and the problems they faced. The quantitative approach aimed for creating a relationship among the sample and the wider population of the study. Due to the nature of the study, which assessing credit management practice, the researcher used descriptive research method based on a case study approach. According to Belay & Abdunnasir (2015), descriptive research is the type of research whose major goal or task is that of describing a particular state of affair determining type, term and magnitude of its existence. The reason behind selecting descriptive research method was that it helps to describe properly the credit management practice of the bank. In collecting the intended data the researcher used primary and secondary data as a source. Questionnaires and interview was the main data collecting instruments used by the researcher. Finally the researcher tried to conclude and recommend based on the result analysis by using SPSS version 20.

3.2 Target Population, Sampling and Sampling Technique

3.2.1 Target population

The target population of the study were all 38 employees of credit management department of head office (department director, credit management section head, credit analyst, credit officers and credit clerks) and credit relationship officers (CRO) Worked in 26 Addis Abeba city branches, who are directly engaged in credit activities.

3.2.2 Sample Techniques and Sample size

The study used census sampling as an input. Census sampling is a study of every unit, everyone or everything in a population, i.e. a complete enumeration, which means a complete count. No element of chance is left and high accuracy is obtained. The major reason that the researcher used the whole population (census sampling) was to minimize the risk of sampling and more reliable than other sampling technique (Kothari, 1985). The credit structure set up of the bank was arranged in a way that loan requests that are below five million birr were handled at branch office and loan requests that were above five million birr handled at head office level. So that this all sample of the population who were engaged in credit processing and administrating at Addis Ababa 26 branches and head office were taken.

Table 3.1 Credit staffs of the bank at Addis Ababa district offices and head office

S/N	Position	Total Number
1	Credit department director	1
2	Credit division manager	4
3	Credit follow up officer	8
4	Credit analyst	9
5	Credit officer	7
6	Credit relationship Officer	26
7	Credit auditor	4
8	Credit clerk	5
	Total	**64**

3.3 Type of Data

To make the study complete, credible and achieve its stated objective successful, the researcher used both primary and secondary data as a source of data.

3.3.1. Primary Data

This source provides data which is original and might have not been used before. The questionnaire and interviews are used as the principal source of data gathering.

3.3.1.1 Questionnaire

Questionnaire constitutes a very important instrument of data collection. With this study, the questionnaire contained close ended questions. Questionnaires are relevant for administering tasks easily and conveniently with the study. Apart from this, questionnaires are also the most cost effective, less time consuming and easy to analyze the collected data. The questionnaires were prepared in a common Likert-scale format (five interval scales). A Likert scale contains several declarative items and it creates conducive situations for respondents to express their felling about the viewpoints in a topic. Moreover, respondents were asked to put their level of agreement to which whether they agree or disagree within the raised question in the statement. Based on this the items raised in the statement were analyzed on the bases of how will it differentiates between those whose total score is high and whose score is low. In reducing misunderstanding of questionnaires during interpretation (from English to Amharic language), the questionnaires were prepared in English language.

3.3.1.2 Interview

This is a face to face meeting with a purpose. In undertaking this research, a direct contact with interviewee was used to gather information from management staffs of the bank.Moderately scheduled interview (list all the questions that the interviewer will supposed to be asked and was allow them to probe for additional information after responses to the primary question). According to Kothari (2004), during the time of interview, the interviewer has to be on the spot and has to meet people thus; the researcher has collect the data personally from the interviewee.

3.3.2 Secondary Data

To strengthen the quality of the data collected, the researcher also used different Bank's documents such as annual report of the bank from 2016 to 2020, related journal, NBE directives and different books and research articles in the study area.

3.4 Method of Data Collection

The study used both primary and secondary data. Primary data was collected through interview and questionnaire. This helped to address the research questions more specifically or to concentrate more on the topic itself. Accordingly, the questioners was distribute to the selected 60 respondent and interview was made with Credit management department director and three Credit management division managers (credit follow up manager, credit relationship manager and credit analyst manager). Whereas secondary sources of data was generated through a review of relevant documents. In case of secondary source of data, company profile and company annual report was used to collect data. Books, journals as well as different thesis will use in the study.

3.5 Data Analysis and Presentation

Due to different advantages such as providing basis for various statistical computations, easily determination of errors, easily understanding of data and comparison between different items, the researcher used different data presentation methods such as tabular, frequency, and percentage. In order to improve the quality of data for coding, the collected data through questionnaires and other methods was sorted, centrally edited (at office level) and carefully was checked for correctness the missing or error before coding to SPSS version 20 software. The data collected were more of qualitative in nature; thus, they were presented by using descriptive analysis.

CAPTER FOUR

4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter comprises the presentation, analysis and discussion of the findings in view of the research questions raised in the first chapter of this study. Primary and secondary sources of data were used to look on the findings. The data were summarized and analyzed using SPSS version 20 and presented using, tables, frequencies and percentages. Among the distributed questionnaire 60 questionnaire 54 (90%) were fully complete and correctly filled and returned. More over additional data were collected from three top management members of the bank using interview.

4.1 Demographic Profile of Respondents

This section presents profile of the respondents in relation to their age group, martial states, educational level and credit related experience with in the bank.

Table 4.1 Demographic Profile of Respondents

variables	**Categories**	**Frequency**	**%**
Gender	Male	46	85.2
	Female	8	14.8
	Total	**54**	**100**
Age	Less than 30 years	17	31.5
	31-40 years	32	59.3
	41-50 years	5	9.3
	Above 50 years	0	0
	Total	**54**	**100**
Marital status	Single	**20**	**37**
	Married	**34**	**63**
	Total	**54**	**100**

Educational back ground	Diploma	0	0
	Degree	37	68.5
	Masters	17	31.5
	Above Master	0	0
	Total	**54**	**100**
Credit related experience with in the bank	Less than 1 years	0	0
	1-5 years	17	31.5
	6-10 years	33	61.1
	More than 10 years	4	7.4
	Total	**54**	**100**

Source: Survey result, 2021

With respect to the respondents' gender composition, 85.2% of the respondents were male and the remaining 14.8% were female. Considering the age range of the respondents, 31.05% were less than 30 years, 59.3% were in the age between 31-40 years, the remaining 9.3% were in between 41-50 years. This implies that majority of the respondents were energetic in satisfying their customers. Beside, this might also create a good chance for the bank and to employees in creating team spirit.

Regarding the qualification of the respondents, about 68.5% were first degree holders, 31.5% were second degree holder. This denotes that the majority of the Bank's employees working in the credit management area are well skilled.

Referring to credit related service year (in LIB) of the respondent, 31.5 % of the respondents has served the bank for less than five years, 61.1% of the respondents have credit experience of 6 - 10 years and 7.4 % have above 10 year work experience. Generally, as presented in table 4.1, more than half of the respondents had more than 5 years experience in credit management, this might have a big contribution in committing their duties and responsibilities. i.e in recording and following up of customer (borrower) data scientifically and ease way, in providing concrete and professional suggestions (ideas) to the banks and customers, in satisfying customers which might have indirect effect in bank's profit and in creating good relationship between the bank and their customers.

4.2. Credit Monitoring Process

4.2.1 Credit Management Policy and Procedure

Credit policy and procedures as well as other pertinent manuals and guidelines having a good contribution in creating common understanding and uniformity among all employees.

Table 4.2 Credit Management Policy and Procedure

Credit Management Policy and Procedure	**Strongly Agree**		**Agree**		**Neutral**		**Disagree**		**Strongly Disagree**		**Total**	
	Freq.	**%**	**Freq.**	**%**	**Freq.**	**%**	**Freq.**	**%**	**Freq.**	**%**	**Freq.**	**%**
I know and understand the bank credit management policy and procedure	25	46.3	27	50	2	3.7	0	0	0	0	**54**	**100**
Credit management policy and procedures frequently reviewed and updated	8	14.8	19	35.2	5	9.3	22	40.7	0	0	**54**	**100**
Credit management policy and procedures must always be used when processing loans	20	37	18	33.3	8	14.8	8	14.8	0	0	**54**	**100**
Credit management policy and procedure properly monitor the quality of credit portfolio	13	24.1	24	44.4	13	24.1	2	3.7	2	3.7	**54**	**100**
The bank credit management policy and procedure encourage clients to borrow and repay	7	13	5	9.3	10	18.5	30	55.6	2	3.7	**54**	**100**
The bank officially explain credit management policy and procedure properly monitor the quality of credit	6	11.1	18	33.3	4	7.4	26	48.1	0	0	**54**	**100**

before granting to their customers												

Source: Survey result, 2021

As depicted in the table 4.2, with respect to awareness creation of the bank to its employees about credit management policy and procedure, 46.3% were strongly agreed, 50% were agreed the remaining 3.7% kept neutral. Accordingly to Scheufler (2002), if the credit policy is correctly formulated, carried out and well understood at all levels of the financial institution, it allows management to maintain proper standards of the bank loans to avoid unnecessary risks and correctly assess the opportunities for business development. Therefore, it is possible to say that the bank has done a good job in filling knowledge gap among employees. It also implied that the bank was committed in creating competent employees and protecting employees from committing illegal actions.

As per the interview result LIB has credit policy and procedure manuals. With respect to the bank's credit policy in compliance to NBE rules and regulations, the respondents' response showed that it was compatible with laws, regulations and directives issued by NBE.

As shown in the above table 4.2, 14.8% respondents strongly agreed, 35.2% respondents agreed, 9.3% respondents kept neutral, 40.7% respondents disagreed. It can be conclude that majority of respondents believed that credit management policy and procedures did not frequently reviewed and updated. As per the interview, the policy and procedures has reviewed based on government policies and market situation. The recent policy revised in 2017. This has impact on the bank's operation when considering today's competitive and very dynamic nature of the industry. Previously conducted research in some selected private banks showed that they frequently reviewed and updated their credit policy and procedure. The researcher result also showed that reviewing and updating credit policy and procedure has effect on credit management related activities (operations) of the bank

On the same table 4.2, respondents were asked whether the credit management policy and procedure must always be used while processing loans. Thus, from the total respondents 37% respondents were strongly agreed, 33.7% were agreed, 14.8% respondents kept neutral, the remaining 14.8% respondents were disagreed. This implies most of the respondents strongly agreed with the issue. The bank policy and procedure has becomes the blueprint which guides the conduct and expectations of all employees entrusted with the responsibility of granting credit and also acts as a benchmark by which performance can be measured against standards set.

Each bank needs to develop and implement a credit management policy and procedure that is important for properly monitoring the quality of credit portfolio, monitoring and controlling risks that inherent in its credit portfolio. As depicted in table 4.2, on whether credit management policy and procedure properly monitor the quality of credit portfolio 24.1% respondents were strongly agreed, 44.4% respondents were agreed, 24.1% respondents neutral (neither agreed nor disagreed), 3.7% respondents disagreed and the remaining 3.7% respondents strongly disagreed. Therefore, it is possible to say that the majority of the respondent agreed that credit management policy and procedure of the bank properly monitor the quality of credit portfolio.

With respect to the question asked whether the credit management policy and procedure encourage client to borrow. As presented in table 4.2, 13% respondents strongly agreed, 9.3% respondents agreed, 18.5% respondents neutral (neither agreed nor disagreed), 55.6% respondents disagreed and the remaining 3.7% respondents strongly disagreed. This implies that the bank were not encourage their clients to borrow.

From the above table 4.2, respondents were asked whether the bank officially explain credit management policy and procedure properly monitors the quality of credit before granting to their customers. Accordingly, from the total respondents 11.1% respondents were strongly agreed, 33.3% respondents agreed, 7.4% respondents were neutral (neither agreed nor disagreed) and the rest 48.1% respondents were disagreed. This indicated that the majority of the respondent were disagreed with the issue. Explaining about credit management policy and procedure to borrowers before granting has importance to the bank in understanding the condition of the loan, in minimizing the non performing records of the bank, in having clear and self explanatory credit processing system and ultimately in improving the service quality of the bank.

Question related to credit analysis and process followed by the bank in extending credit, 33.3% of the respondents have rated the credit analysis of the bank good, 59.3% rated very good, 3.7% and 3.7 rated fair and poor respectively. This indicated that there was a gap in proper implementation of policy to be addressed to improve the quality of credit analysis and loan processing at both head office and branch level that enables to create quality loans arresting non-performing loans. Previous studies also showed that similar result with this research.

4.2.2 Credit Processing /Appraisal

Credit processing function is the core product of all banks in general as it contributes the major shares of revenue to their profitability. Meaning loans are known to be the main stay of all banks. They occupy an important part in gross earnings and net profit of the banks.

Table 4.3 Credit Processing /Appraisal

Description	Strongly agree		Agree		Neutral		Disagree		Strongly disagree		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
The Bank Checks the borrower history before granting loans	23	42.6	25	46.6	4	7.4	2	3.7	0	0	**54**	**100**
The Bank properly assessed the customer ability to meet obligation	13	24.1	30	55.6	9	16.7	2	3.7	0	0	**54**	**100**
Crediting- granting approval process established accountability for decision taken	9	16.6	30	55.6	11	20.4	2	3.7	2	3.7	**54**	**100**
There are times credit granting and monitoring process is overridden by Directors, senior management	13	24.1	24	44.4	15	28.7	2	3.7	0	0	**54**	**100**

The bank carried out credit processing activities independent of appraisals	8	14.8	19	35.2	18	33.3	7	13	2	3.7	**54**	**100**

Source: Survey result, 2021

As shown above table 4.3, respondents were asked whether the bank checks the borrower's history before granting loans. With this regard, 42.6% of the respondents strongly agreed, 46.3% of respondents agreed that the bank checks the history of a borrower, 7.4% respondents were neutral on the issue and the reaming 3.7% of respondents disagreed. This indicates that the bank might scored high non performing loans record since, the history of the customers were before granting the loan.

As shown in table 4.3 majority of respondents (55.6%) agreed that their bank properly assessed their customers' ability to meet their obligation, were as 24.1% of respondents strongly agreed, 16.7% of respondents were neutral, the rest 3.7% of respondents disagreed. This shown that the bank has done good work (give attention) in awaring awareness to customers about their obligation before granting the loan.

On the same table 4.3, 16.6% of respondents strongly agreed that the credit granting process of the bank creates accountability for each decision making activity. On the other hand 55.6% of respondents agreed on the idea. 20.4% of respondents were neutral with the idea, where as 3.7% of respondents disagreed, and the remaining 3.7% strongly disagree. This implies that each credit employees of the bank were responsible in their decision making in the loan granting process.

Regarding the question presented in table 4.3, whether credit granting and monitoring of applicants influenced by senior management members and directors of the bank, 24.1% of the respondents strongly agreed, 44.4% of them agreed, 28.7 % were neutral and the remaining 3.7% of the respondents were disagreed. This denoted that the bank's influential bodies were involved in the decision making of some loan related decisions to certain customer when it is believed that the customer has a potential and when the bank has found that the customer is important to the bank.

As indicated in table 4.3, 14.8% of respondents were strongly agreed with the idea that the bank carried out credit processing independently of the appraisal, 35.2% were agree, 33.3% were neutral and the rest 13% and 3.7% respondents were disagreed and strongly disagreed respectively. These revealed that there was segregation of duty among employees in the credit management department of the bank.

4.2.3 Monitoring and Control of Credits

Credit monitoring and follow up guideline has included in the credit policy of the bank. Appropriate usage and implementation of benefits the bank to arrest NPLs and have good relationship with its customers.

Table 4.4 Monitoring and Control of Credits

Description	Strongly agree		Agree		Neutral		Disagree		Strongly disagree		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
The bank strictly implement the conditions and sanctions set by different approving organs	11	20.4	31	57.4	12	22.2	0	0	0	0	**54**	**100**
The bank maintains effective credit management system to control the single borrower limit while extending additional loan	12	22.2	17	31.5	15	27.8	10	18.5	0	0	**54**	**100**
Collateral coverage is regularly assessed and related to the borrower's financial positions	7	13	30	55.6	11	20.4	6	11.1	0	0	**54**	**100**
The bank monitor the business of clients after granting credits on regular interval basis	8	14.8	19	35.2	12	22.2	13	24.1	2	3.7	**54**	**100**

Customers are often given sufficient training on loan usage	2	3.7	12	22.2	13	24.1	17	31.5	10	18.5	**54**	**100**

Source: Survey result, 2021

As depicted in the table 4.4, 57.4% of respondents were agreed and 20.4% of respondents were strongly agreed with the proposition that the bank strictly implement the conditions and sanctions set by different approving organs of the country. The remaining 22.2% of respondents kept neutral. This denoted that the bank has a better stand in implement the conditions and sanctions set by different approving organs that helps to monitor and control its loans provided to creditors.

As it can be seen in table 4.4, respondents were asked whether the collateral coverage is regularly assessed and related to the borrower's financial position. The response showed that majority of respondents (55.6%) agreed, 13% strongly agreed, 20.4% of respondents were neutral with the idea, whereas the remaining 11.1% of respondents were disagreed. This indicates that the bank uses assessing its collateral coverage regularly to monitoring and control of credits.

The result presented in table 4.4 indicates that 14.8% of respondents were strongly agreed the bank monitors the business of its customers (borrowers) after granting credits, 35.2% were agreed, 22.2% of respondents were neutral, 24.1% of respondents were disagreed, and the remaining 3.7% respondent strongly disagree. Generally this indicated that there was a monitoring action on disbursed loans that help to mitigate the increasing trend of non-performing loans.

With respects to provision of training for customers (borrowers) on loan usage, as presented in table 4.4 that 31.5% of respondents have responded disagree whether the customers are given sufficient training on loan usage or not, 22.2% are agree, 3.7% of respondents strongly agree and 24.1% of respondent neutral whereas 18.5% of them disagree. It denoted that clients have not taken training by the bank might lead to default and can be lead to default and loan diversion.

4.2.4 Credit Control Process

Table 4.5 How can the credit control process be improved?

Description	Strongly agree		Agree		Neutral		Disagree		Strongly disagree		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Improve internal control system	18	33.3	29	53.7	5	9.3	2	**3.7**	**0**	**0**	**54**	**100**
Training of staff	12	22.2	30	55.6	8	14.8	4	**7.4**	**0**	**0**	**54**	**100**
Initiate legal process early	13	24.1	23	42.6	14	25.9	4	**7.4**	**0**	**0**	**54**	**100**
Effective monitoring	15	27.8	31	57.4	8	14.8	0	**0**	**0**	**0**	**54**	**100**
Provide reminder letters early	14	25.9	32	59.3	4	7.4	4	**7.4**	**0**	**0**	**54**	**100**

Source: Survey result, 2021

From the above table 4.5, 33.3% respondents strongly were agreed or believed that credit control process can improve internal control system, 53.7% respondents were agreed, 9.3% and 3.7% respondents were neutral and disagree respectively on the idea.

As presented in table 4.5, 22.2% of respondents were strongly agreed, 55.6% agreed, 14.8% neutral and 7.4% disagree that the training of employees on credit processing can improves credit control process.

As depicted in table 4.5, 21.1% of respondents strongly agreed (believed) that the early checking of legal issues can improved credit controlling process of the bank. 42.6% were agreed and the rest 25.9%, neutral, the rest 7.4% disagree. This denoted that the bank has to implement early legal initiation process in order to improve the credit controlling process.

Effective monitoring was identified as the major factor that could help improve the credits control process. 27.8% respondents strongly agree for each, 57.4% respondents agree, the remaining 14.8% neither agree nor disagree (neutral).

In the same table 4.5, most of the respondents (59.3) % agrees providing reminder letter early can be improving credit control process. 25.9% strongly agree, 7.4% neither agree nor disagree, the rest 7.4 % with the issue. Therefore, we can conclude that the majority of the respondent agreed that providing reminder letter early can improve the credit control process. Previous research showed effective monitoring improve and internal control should improve the credit control process.

4.3 Credit Provision

Credit provision (administration) is a critical element in maintaining the safety and soundness of a bank. Once a credit is granted, it is the responsibility of the bank to ensure that the credit is properly maintained.

Table 4.6 Credit Administration

Description	Strongly agree		Agree		Neutral		Disagree		Strongly disagree		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
The process of “ Credit administration “ is performed independently of individuals involved in the “ business organization” of credit	10	18.5	25	46.3	13	24.1	6	11.1	0	0	**54**	**100**
The Bank segregate the Workout activity from the area that originated the credit	7	13	21	38.9	17	31.5	9	16.7	0	0	**54**	**100**
The bank has well-structured documentation tracking systems for credit and collateral files	10	18.5	27	50	4	7.4	11	20.4	2	3.7	**54**	**100**
The bank has appropriate criteria for Credit classification and provisioning	12	22.2	23	42.6	12	22.5	0	0	7	13	**54**	**100**

Source: Survey result, 2021

From the above table, respondents were asked whether the process of credit administration has been performing independently of individuals involved in the business origination of credit. Therefor as presented in table 4.6 majority of respondents (46.3%) were agreed with the idea, 18.5% strongly agreed, 24.1% kept neutral and the rest 11.1% were disagreed. This shows that the bank policy has implemented and embedded the accountability of credit department employees to counter check by other staff.

In the same table 4.6, respondents were asked whether the bank segregates the workout activity from the area that originated credit. Among the respondents 13% were strongly agreed that the bank segregate the workout activities, 38.9% agreed, 31.5% kept neutral, the rest 16.7% disagreed. This shows that the bank (department) was good at segregating its workout activity.

As shown in table 4.6, respondents were asked whether the bank has employed well-structured documentation tracking system for credit and collateral files. Accordingly were 18.5% strongly agreed, 50% agreed, 7.4% kept neutral, 20.4% disagreed and the rest 3.7% strongly disagreed. This revealed that there was the availability of tracking system on collateral files at a bank level.

With respect to having appropriate criteria for credit classification, provisioning and write-off, majority of respondents (42.6%) agreed with the issue. On the other hand, 22.2% of respondents strongly agreed 22.5% kept neutral and the rest 13% of respondents strongly disagreed. It denotes that the bank has appropriate credit administration criteria that help to take on its policy.

4.4 Credit Collection Follow-up

4.4.1 Credit Collection and Recovery

The credit recovery method used by the bank was treated in the same fashion as of credit collection methods. As a bank if loans are fail to regularize or fail to settle, and if exerted efforts did not provide relevant solutions to the problem (NPLs), the case will transferred to legal service department as a final alternative of settlements.

Table 4.7 Credit Collection

What credit collection strategies does the bank adopt in retrieving credit?

Description	Strongly agree		Agree		Neutral		Disagree		Strongly disagree		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Consider prompt payment	8	14.8	29	53.7	15	27.8	2	3.7	0	0	**54**	**100**
Establish payment guide line	21	38.9	23	42.6	8	14.8	2	3.7	0	0	**54**	**100**
Writing reminder letter	18	33.3	21	38.9	11	20.4	2	3.7	2	3.7	**54**	**100**
Provide incentive for prompt payment	9	16.7	18	33.3	16	16.7	9	29.6	2	3.7	**54**	**100**
Seek legal advice	9	16.7	31	57.4	11	20.4	1	1.9	2	3.7	**54**	**100**

Source: Survey result, 2021

The researcher raised questions that what credit collection strategy does the bank adopt in retrieving credit. As can be seen in table 4.7, 14.8% respondents were strongly agreed, 53.7% respondents agreed, 27.8% and 3.7% respondents kept neutral and disagreed respectively on the idea.

The results in Table 4.7 above indicated that , 38.9% of respondents strongly agreed, 42.6% agreed, 14.8% agree has neutral and 3.7% disagreed that the established payment guideline improve the collection of loan.

From table 4.7, the researcher requested whether writing of reminder letter improve collection of loan process or not, 33.3 % respondents were strongly agreed, 38.9% respondent were agreed and 20.4% kept neutral, the remaining 3.7% and 3.7% disagreed and strongly disagreed respectively.

As can show the above table 4.7, provide incentive for prompt payment will improve the credit collection process or not. 16.7% of respondents strongly agree, 33.3% agree, 16.7% neutral, and the rest 29.6%, 3.7% disagree and strongly disagree respectively.

In the same table 4.7, the researcher requested whether seek legal advice will facilitate the credit collection or not. Of the respondents 16.7% were strongly disagreed, 57.4% disagreed, 20.4% neither agree nor disagree, 1.9% agreed and the remaining 3.7% strongly agreed.

This implies Prompt payment, establish payment guideline, writing reminder letter and seek legal advice are the best strategies to retrieve the loan. Whereas providing incentive is not better strategy for collection of credit.

In relation to credit collection follow up method of the bank , 46.3% of the respondents have rated the credit follow up method of the bank were week, 20.4% rated strong, 16.7% rated medium, while 16.7% rated very good. To gather more information about credit collection follow up method of the bank interview questions were forwarded to credit follow up division heads, the most common collection techniques used by the bank is cash payment and debiting clients account. As shown the above result majority of respondents agreed the credit collection follow up method of the bank were weak. This implies that the bank credit collection follow up method were poor.

Question related to the bank credit management policy in dealing with non-Performing loan. 68.5% of the respondents were agreed that the banks credit management policy in dealing with non-performing loan were very good. 16.7 % respondents said good. While the rest 14.8% responses fair. This implies majority of respondents believed that the bank policy in dealing with non-performing loan were very good. Even though the annual loan report of the bank shows that the NPL ratio of the bank increased time to time (2016-2020). It indicates that the loan recovery mechanism of the bank were not sufficiently implemented to reduce bad loans.

According to the data collected through interview in order to minimize the rate of nonperforming loans of the bank, the bank has apply offering a written warning letter at different stages (level) to borrowers and also try to arrange extended the time of repayment to them.

Participants' responses on major reasons for default of credit in their bank, 57.4% respondents were agreed that the major reason for default of credit were lack of follow up, in the same question 46.3% of respondents agreed with the reason were lack of training inadequate information about customer, 20.4% of the respondents also agreed in credit worthiness were a major reason for default. In addition to this, the interview result indicated that the major factors causing occurrences of non-performing loans were instability of the country and poor credit culture.

CHAPTER FIVE

5. SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter summarizes and briefly discusses the findings of the study. The study assessed the credit management practice of Lion international bank S.C. Issues related with credit policy and procedure, credit monitoring and follow up collection. The implication of those factors on the credit management practice of the bank were tried to evaluate practically in accordance with different theoretical literatures and empirical evidences highlighted on chapter two. The descriptive research method was used for the study. Tables, frequency and percentage were utilized to analyze the data. Census method was used to select a target respondent. Primary and secondary data were used as a source of information for the study. Questionnaires and interview were used as a main instrument for primary collection data.

Base on the chapter four analyses, the researcher has summarized the finding in the following manner:-

5.1. Summary of findings and demographic profile of respondents

- The results showed that about 85.2% of the respondents were male and the reaming 14.8% were female. Majority of the bank staff fall between 30-40 years of age. 63% of the respondents were married. The majority of the banks employees (68.5%) working in the credit management area have first degree. The experience of majority of respondents fall between 6-10 years.

5.2. Summary of findings on credit management practice in line with its policy and procedures

- Majority of the respondents agreed that they have good awareness about the credit policy and procedures of the bank.
- The banks policy and procedure were complied with NBE directives in all of its activities of credit management.
- Majority of respondents agreed that the bank credit management policy and procedures have not frequently reviewed and updated.

- Majority of respondents agreed that the bank credit management policy and procedure have used when processing analyzing loans.
- Majority of respondents agreed that the bank credit management policy and procedure properly monitors the quality of credit portfolio.
- The result discovered that majority of respondents said the credit management policy and procedure of the bank did not encourage client to borrow and repay timely.
- It also found that the bank credit related employees did not officially explained credit management policy and procedure properly monitors the quality of credit before granting to their customers.

5.3 Summary of findings on credit management practice in line with its credit processing and monitoring

- Majority of respondents were agreed that the bank checks the borrowers' history before grant the loan to them.
- More than half of the respondents agreed that the bank assesses customer ability to meet obligations.
- Majority of respondents agreed that the credit granting process creates accountability.
- Majority of respondents agreed there is segregation of duty in the credit management department of the bank.
- Majority of respondents agreed that the bank has a better stand in implementing the condition and sanctions set by different approving organs.
- The bank regularly assess the collateral coverage with the borrowers' financial position though most credit approval is collateral based.
- Majority of respondents agreed with clients did not taken training by the bank.
- Majority of respondents agreed has well-structured documentation tracking system for credit and collateral files.
- Majority of respondents agreed that Customers are not often given sufficient training on loan usage

5.4 Summary of findings on credit management practice in line with its follow up method

- Majority of respondents agreed that the internal control system can improve the credit control process.

- Majority of respondents agreed that the credit collection techniques so far adopted in retrieving credit by the bank were to establish payment guideline.
- The analysis clearly shows that majority of respondents agreed that the credit collection follow up method of the bank were week.
- It is found that lack of follow up, lack of training, inadequate information about customer credit worthiness, poor credit culture and instability of the country were a major reason for default.

5.5 CONCLUSIONS

The main objective of this research was to assess the credit management practice of Lion International Bank S.C. The researcher gave the following conclusion based on the statistical analysis, the interview results with respected individuals and the documents reviewed.

- There are more male workers involved in credits management process in the bank than females. With respect to qualified and work experience, majority of employees of the bank were degree holders and highly experienced, this enables the bank to accelerate its service delivery and become competitive in the growing stiff competitive industry to meet its vision of "To be the Leading Bank in Ethiopia by the year 2035"
- Despite the questionnaire result have shown that the credit management department employees have a good awareness about policy and procedures of the bank.
- The bank used it credit policy and procedures when processing loans.
- The bank credit management policy and procedure compatible with laws, regulation and direction issued by NBE.
- The credit management policy and procedure of the bank did not encourage client to borrow and repay their debt.
- Credit collection follow up method of the bank has poor.
- Lack of follow up, lack of training, inadequate information about customer credit worthiness, poor credit culture and instability of the country were a major reason for default. This all problems lead to credit risk that has bad consequences on the bank's financial stability and economy of the country.
- The overall credit management activity of the bank needs the attention of the management. The main problem in LIB is not lack of clear policy and procedure rather a problem in

credit collection follow up method. The finding of the study also assures the Credit management policy and procedures of the bank have not frequently reviewed and updated.

5.6 RECOMMENDATIONS

The research has recommended the following based on the overall result of the research findings.

- Even though the result showed that the bank was good in awearing about its policy and procedures to its employees and in maintaining the compliance of the bank policy and procedures with national bank. But there was a constraint in updating and reviewing its policy and procedures which is a decisive issue in a day to day business activities (in providing the service) and satisfying customers i.e it's discourage customers in borrowing and repaying their debt promptly, which has un ultimate effect on achieving its objective and in staying as a bank in this highly competitive industry. Therefore, the bank should frequently review and update its credit policy and procedures in the way satisfying and encouraging its customer.
- As a bank there was a constraint in credit collection practice, which exposed the bank in scoring low NPL (NPL ratio of the bank increased time to time). This result explained that, it has influence in decreasing offering capacity level of the bank and ultimately have a big loss in profit level (interest collection) of the bank. Thus, the bank should create a tracking system that could alert debt collectors of all overdue payments; so that immediate action could be taken to collect all outstanding debts. Moreover, the bank should considered different loan recovery method like frequent contact or business visit, reviewing the applicant's previous track record; reviewing credit risk rating and annual review of accounts; developing evaluation method of current business activity and, identifying and examining the causes of defaults.
- Generally, lack of training, inadequate information about customer and poor credit culture were the major reason/s/ for default of credit management in the Bank. Therefore, the bank should assess the training need of the credit department staffs and the bank should collect sufficient information about their clients before granting loan.

5.7 RECOMMENDATION FOR FURTHER STUDIES

The focus of this study was Assessing Credit Management Practice of Lion International Bank S.C. and it is therefore, recommended that a similar study can be conducted on other groups of private commercial banks of Ethiopia as there might have some other unique determinants of quality loans.

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APPENDIXES

St. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDEIS, MBAAF PROGRAMME

QUESTIONNAIRE

The study is indented to obtain your opinion/reflection for the partial fulfillment of Master of Accounting and finance. Your views and those of others who will complete this questionnaire will provide a valuable input to this study.

A research study on "Assessment of Credit Management practice of Lion International Banks S.C." The study is intended for academic purpose. Besides, the output of the study may help as an input for the organization for any improvement in the future. Your answers will be completely confidential and will be kept private and stored securely. In the final reports, there will be no information included that will make it possible to identify you as a research respondent.

Direction: -

- No need to write your name.
- Put "√**"** in the box.
- Your honest & unbiased responsible is highly important

I. GENERAL INFORMATION

1. Gender

Male ◻ Female ◻

2. Age

Less than 30 Years ◻ 31 -40 Years ◻ 41 -50 Years ◻ above 50 Years ◻

3. Marital status

Single ◻ Married ◻

4. Educational back ground

Diploma ◻ Degree ◻ Masters ◻ PhD and above ◻

5. Credit related experience with in the bank

Less than 1 Year □ 1-5 Years □ 6-10 Years □ above 10 Years □

II.CREDIT CREATION, POLICY AND PROCEDURE

Please provide your level of agreement using the following rates (Where 1= strongly disagree, 2= Disagree, 3= Neutral, 4 = Agree, 5 = strongly agree)

6.Credit Management Policy & Procedure	**1**	**2**	**3**	**4**	**5**
I know and understand the bank credit management policy and procedure					
Credit management policy and procedures frequently reviewed and updated					
Credit management policy and procedures must always be used when processing loans					
Credit management policy and procedure properly monitor the quality of credit portfolio					
The bank credit management policy and procedure encourage clients to borrow and repay					
The bank officially explain credit management policy and procedure properly monitor the quality of credit before granting to their customers					

7. How do you rate credit analysis and procedure followed by the bank in Extending credit?

Excellent □ Very good □ Good □ Fair□ Poor □

III. CREDIT PROCESS

Please provide your level of agreement using the following rates (Where 1= strongly disagree, 2= Disagree, 3= Neutral, 4 = Agree, 5 = strongly agree)

8.1 Credit Processing /Appraisal /	1	2	3	4	5
The Bank Checks the borrower history before granting loans					
The Bank properly assessed the customer ability to meet obligation					
Crediting- granting approval process established accountability for decision taken					
There are times credit granting and monitoring process is overridden by Directors, senior management					
The bank carried out credit processing activities independent of appraisals					
8.2 Monitoring and Control of Credits	**1**	**2**	**3**	**4**	**5**
The bank strictly implement the conditions and sanctions set by different approving organs					
The bank maintains effective credit management system to control the single borrower limit while extending additional loan					
Collateral coverage is regularly assessed and related to the borrower's financial positions					
The bank monitor the business of clients after granting credits on regular interval basis					
Customers are often given sufficient training on loan usage					
8.3 Credit Administration	**1**	**2**	**3**	**4**	**5**
The process of " Credit administration " is performed independently of individuals involved in the " business organization" of credit					
The Bank segregate the workout activity from the area that originated the credit					
The bank has well-structured documentation tracking systems for credit and collateral files					
The bank has appropriate criteria for Credit classification and provisioning					

9. How can the credit control process be improved?

Factors	1	2	3	4	5
Improve internal control system					
Training of staff					
Initiate legal process early					
Effective monitoring					
Provide reminder letters early					

IV. FOLLOW-UP COLLECTION

Please provide your level of agreement using the following rates (Where 1= strongly disagree, 2= Disagree, 3= Neutral, 4 = Agree, 5 = strongly agree)

10. What credit collection strategies does the bank adopt in retrieving credit?

Factors	1	2	3	4	5
Consider prompt payment					
Establish payment guide line					
Writing reminder letter					
Provide incentive for prompt payment					
Seek legal advice					

11. How do you measure the bank credit collection follow up method?

Very good □ Medium □ Strong □ Week □ Very week □

12. How do you evaluate the bank credit management policy in dealing with non-Performing loan?

V. good □ Good □ Fair □ Not supportive □ Very Supportive □

13. What are the major reason/s/ for default of credit management in your Bank? (Multiple responses are possible)

Lack of follow-up □

Lack of training □

Lack of market for Clients' product □

Loan diversion Absence of book-keeping □

Unfavorable Environmental conditions□

Inadequate information about customer Creditworthiness □

If you have any idea, or comment towards improvement of overall credit Management practice of the bank, please write them on the space provided below.

Thank you!

INTERVIEW

1. Do you have a written policy, guidelines and producers that explain objective and principle of credit management process?
2. What look like the bank's practical loan processing and appraisal activities with the bank credit Policy and NBE's requirement?
3. How does the bank asses borrowers past financial history, credit worthiness and perform detailed financial analysis before granting the credit?
4. What measures are put in place by management to control the element of risk in granting credit?
5. What strategies do management adopt when clients till fail to pay their debt?
6. What action has LIB taken to minimize the bank's non-performing loans?
7. Which kind of credit collection technique/s/ are adopted by your Bank?
8. What do you think the strengths and limitation of the bank on credit management practice?