St. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

ASSESMENT OF CREDIT RISK MANAGEMENT: THE CASE OF AWASH BANK

BY

NEBIYOU SHEWANGZAW

June 2024

ADDIS ABABA

SMU

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A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY IN PARTIAL FULFILLMENT OF DEGREE OF BUSINSS ADMINISTRATION IN ACCOUNTING AND FINANCE

ADVISOR: ASEMAMAW GETU (PhD)

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APPROVED BY BOARD OF EXAMINER

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To begin doing something lonely is a hard ship. I had went to back to remember the saying "Unity is strengths" yes, really it is. Had it been not with the assistance of individuals and the help of God who knows the end of this paper though, it is hard to thanks every one, I consider expressing my gratitude to those who are intimately and closely supported me.

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Nebiyou Shewangzaw

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List of Acronyms

AB_____________________Awash Bank S. Co

ATM ___________________Automatic Teller Machine

CBE____________________Commercial Bank of Ethiopia

DBE____________________ Development Bank of Ethiopia

NBE____________________National Bank of Ethiopia

NIB____________________NIB International Bank S. Co

PC_____________________Personal Computer

POS____________________Point of Sale

7X24___________________7 days and 24 hours

ABSTRACT

This research paper aims to assessment on the An Assignment of Credit Risk Management Practice; The Case of Awash Bank Addis Ababa With reports of the varying degree of successes and failures recorded by the companies in different departments. To address the research objective 50 sampled respondents were selected. To select sample respondents from the total study population simple random sampling was taken from each strata because it provides an equal chance of all members being selected in the sample and avoid bias. Then, to select samples from the population in order to get the required sample size in Addis Ababa proportional sampling technique has been used to get the required sample size. Data were analyzed using SPSS 26 software package. Descriptive statistics research approaches were employed. The descriptive statistics such as frequency, percent, mean and standard deviation were used for describing the demographic characteristics of respondents and the dependent and independent variables. The inferential statistics like Pearson correlation coefficient(r) and multiple linear regressions were used to determine if there is relationship existed between independent and dependent variables. Descriptive research can be done using both qualitative and quantitative methods. Some popular methods include surveys, interviews, experiments, and observational studies. Collect and analyze your data. The study recommended that the companies have to give more emphasis in improving performance require to institute a strong credit risk management system that can efficiently identify bank able borrowers and a system that can monitor their performance after the loan is granted.

KEY WORDS: Credit, risk, management

CHAPTER ONE

1. INTRODUCTION

1.1. BACKGROUND OF THE STUDY

The word credit comes from the Latin word “Credo” which means “I believe”. It is possible that the lender believed in the ability or latent ability of a person/company/or business and made the repayment intentionally. In other words, credit is the ability to order goods or services from another person in exchange for the security of payment for those goods or services at a specified time in the future. For a bank, it is the biggest source of profit and on the other hand, the use of off-base credit will lead to failure not only for the bank but especially for the whole economy (Edwards, 2004). . Either way, the money related department plays an important role in boosting the economy and development in any country. The banking sector, in particular, is seen as an important source of financing and the underpinning for most commercial segments (Sectioning and After That Hammer, 2008).

Risk can be defined as the future impact of hazardous actions that has not been eliminated in an organization. It can also be seen as future uncertainties more often as a result of uncontrolled hazards. If the risks involve skill sets by management, the same situation may result to a different kind of risk (Federal Aviation Administration, 2009). Further to this, risk has been defined as the mix of the probability of an occasion and its results (ISO/IEC direct, 73).

A risk is a potential problem it might happen and it might not. Risk concerns future happenings, Risk involves change in mind, opinion, actions, places, etc. Risk involves choice and the uncertainty that choice entails. Those risks that can be uncovered after careful evaluation of the project plan, the business and technical environment in which the project is being developed, and other reliable information sources. Predictable risks those risks that are extrapolated from past project experience. Unpredictable risks those risks that can and do occur, but are extremely difficult to identify in advance. (Nishiru, 2001).

Risk management is defined by ISO, 3000 as the process of identifying, assessing, and prioritizing of risks in an organization which is followed by coordinating and application of available resources in the organization to lower and control the likelihood or to lower the impact of unfortunate events which may lead to the business not realizing its set goals and objectives. Risk management has an objective of ensuring that business set goals are not deflected hence leading to the organization not achieving the set targets (ISO, 31000). Financial Performance has been broadly defined as the way a company measures its performance in monetary terms against its strategic goals over a given time frame.

Credit risk management is very important to banks as it is an integral part of the loan process. It maximizes bank risk, adjusted risk rate of return by maintaining credit risk exposure with view to shielding the bank from the adverse effects of credit risk. Banks are investing a lot of funds in credit risk (Tibebu, 2011).

The previous studies on risk management practices of banks in Ethiopia mainly focused on the financial risks which is credit, liquidity and market risks and some researchers assessed the operational risk for example: Ariam (2021), assessed risk management practice in Ethiopia banking sectors. Accordingly, the research found out that Banks do not have trouble defining their key danger and rating it, Credit risk, Foreign exchange risk, operational risk and interest rate risk are the major risks faced by banks operating in Ethiopia, monitoring the effectiveness of risk management is an integral part of routine management reporting and evaluation of the effectiveness of the existing controls.

Risk is a fact of life in any business and if not properly managed it will negatively impact the very existence of any business. However, in the case of banks, the image can be more serious because the banking business belongs not only to the owners, but also to the depositors (public), other banks and therefore the economy as a whole. The major risks facing banks are credit risk, market risk, liquidity risk, and operational risk (Basel Banking Supervision Committee).

National bank of Ethiopia (NBE) as a one and only regulator and supervisor of all financial institution activities in the country has a mandate to issue and provide guidance to all financial institutions as to the risk management system. To this end, it has revised the 2003 bank's risk management guidelines in 2010 to incorporate latest developments in the area. The guideline presents the risk management system of the banking risks. This revised document, consistent with international standards and best practices is expected to provide minimum risk management (risk identification, measurement, monitoring and control) standards for all banks operating in the country. It covers the most common and interrelated risks banks are facing namely credit, liquidity, market and operational risks but this revisited framework still it does not consider strategic and reputational risks. Therefore, the researcher aim was to assess risk management practice in Ethiopian commercial banks both financial and non-financial risks including strategic and reputational risk management practices of the bank.

1.2. STATEMENT OF THE PROBLEM

According to Tseganesh (2012) credit risk management includes all management function such as identification, measurement, monitoring and control of the credit risk exposure. The writer further indicated that for long term achievement of banking sector effective credit risk management practice is a vital issue in the current business environment and poor credit risk management policy will create serious source of crisis in the banking industry.

Exposure to credit risk continues to be the leading source of problems in banks world-wide. As a result, Banks need to have useful evidence-based information from prior experience and empirical studies. They should have a been awareness of the need to identify measure, monitor and control credit risk as well as to determine that they hold adequate capital against these risks and that they are adequately compensated for risks incurred (Kessey, 2015).

In the case Awash Bank, Abdi's (2018) analysis of the financial performance of the Bank shows that for the period 2015- 2017, the Bank's financial performance is not improving. Feyisa (2016) on the other hand noted that poor loan assessment procedure, lack of effective use of man power, lack of revision of credit management and unwillingness of borrowers to disclose their full information are impacting Awash Bank's loan recovery performance.

According to Chockalingam et al. (2018), risk management in banks, while clearly important, is complicated by the very nature of banks and the types of risks that they face. Banks are highly sensitive to fluctuations in the market (market risk), can suffer defaults on loans (credit risk) and suffer losses due to internal operational issues (operational risk). In addition to these forms of risk (which have been extensively studied in the literature), banks also face risk resulting from changes in strategic decisions and the business environment (example competitors that enter the market or changing customer demand). This form of risk is typically termed as strategic or business risk.

In general, running a business involves a great deal of uncertainty that can negatively or positively affect the company's goals. Especially in the case of banking transactions, some events may affect not only the bank involved, but also other banks operating in the system, both domestic and international, and may lead to changes in government control over commercial banks. As a result, proactive (rather than reactive) risk management measures have become mandatory for sustainable operations and for international banking through letter of credit contracts and other arrangements.

According to Mok and Saha (2017), ignoring strategic risks could place an institution in peril; a recent study published in the Harvard business review found that strategic risks were the most damaging type of risk companies faced the analysis found that 86 % of significant losses in market value over the last decade were caused by strategic risks.

This study is expected to have a great contribution in many aspects of different stakeholders in Ethiopia.To see the gap between the NBE and their credit management systems, and To take measures that decrease the probability of the occurrence of credit risk of management on the banks based on the recommendations that will be forwarded. For the Clients of banks. to understand what conditions will fail them form loan payment, to know the banks cred it management system and to go in harmonious with banks requirements, To be cooperative in minimizing the credit risk and increase the bank performance

To this end, the underlying motivation of the researcher is to fill this gap on literature and to make an effort to bring empirical evidence by identifying major Assessment of credit risk management practice in Awash banks. Thus, this study contributed to the limited literature on credit risk management practice of banks and its contributions in identifying major determinate factors on the finding.

RESEARCH QUESTIONS

1) Does the bank has appropriate credit risk management policies and procedures?
2) What kind of mechanisms used by the bank for credit risk measuring and monitoring?
3) What credit collection strategies are adopted in the management of credit in awash bank?
4) What are the methods for evaluating credit provision?

1.3. OBJECTIVE OF THE STUDY

1.3.1. GENERAL OBJECTIVE

An Assessment of Assignment of Credit Risk Management Practice; The Case of Awash Bank Addis Ababa.

1.4.2. SPECIFIC OBJECTIVES

- To assess the bank has proper credit risk management
- To analyze the bank credit application handing
- To analyze the bank credit provision
- To examine the bank credit collection
- To assess the bank credit system

1.4. SIGNIFICANCE OF THE STUDY

The study benefit for the researcher's to grow as a critical independent thinking building confidence ability to work independence and enhancing awareness of ethical issue. The study also will benefit for credit risk management in Awash Bank in head office, kazanchis, lgehar and mebrat branches and give possible recommendation

The researcher description and recommendation is more important for Awash banks and also the National Bank of Ethiopia, that show about will management support to making decision on the credit worthies of banks side and use in sources NBE set credit policy and procedure.
The understanding of their roles as professionals in the management of loans and advance delivery greatly benefits officers and analysts, thereby enabling them to effectively execute crucial processes integral to the Bank's operational framework. The results of the study further aid in the provision of sound and informed decision-making by providing the necessary information. Finally,

yet importantly, it is an opportunity for the researcher to acquire deeper knowledge since conducting this research paper requires going through much literature.

1.5. SCOPE OF THE STUDY

The study was limited in scope to collect data from Awash bank at Addis Ababa 4 branches. Therefore, this study will not address and included all Awash bank in Ethiopia. Geographically, the study will delimit in Addis Ababa. Therefore, this study didn't address all respondents outside Addis Ababa. The study will delimit in scope only An Assessment of Assignment of Credit Risk Management Practice; The Case of Awash Bank Addis Ababa.

1.6. LIMITATION OF THE STUDY

Due to large geographic area coverage of the city, the researcher delimits its scope only awash bank Addis Ababa 4 branches. Characteristics of respondents or failure to accurately return questionnaires in a timely manner, Lack of adequate research studies on my research topic, Lack of financial resources and/or grants for research materials.

Despite the problems mentioned above, I was able to solve the problem by exchanging phone and email with the company's leaders, despite the delay in sending the questionnaire. Although the cost of transportation was higher due to the distance between the study area and my address, I was able to reduce the cost by making a program.

1.7. ORGANIZATION OF RESEARCH REPORT

Chapter-1:-Introduction:

This chapter will contain background of the study, statement of the problem, basic research questions, objectives of the study, definition of terms, significance of the study, and delimitation/scope of the study.

Chapter-2 Literature review:

This chapter deals with the literature relevant of the study.

Chapter-3 Research Methodology:-

Under this chapter, the required to describe the type and design of my research; the subjects/participant of the study; the sources of data; the data collection tools/instruments employed; the procedures of data collection; and the methods of data analysis used.

Chapter-4 Results and discussion/Data presentation, analysis &interpretation:

This chapter will summarize the results/findings of the study, and interpret and/or discuss the findings.

Chapter-5 Summary, Conclusion, recommendation:

This chapter comprises four sections, which include summary of findings, conclusions, limitations of the study and recommendations. My summary of findings will be drawn from the results discussed under chapter four; my conclusions will be drawn from the summary of findings; specify any limitations that could have effect on your conclusions. Make sure that my recommendations are realistic practical.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1. INTRODUCTION

This chapter discusses different on the theoretical review of the study whereby the main theories on risk management were discussed. Related literature on the credit hazard and administration, providing theoretical, experimental, and conceptual systems Theoretical and empirical reviews of the literature have been covered in this part. Conceptual framework as well is presented. The theoretical review of literature emphasizes the concept of marketing, strategy, marketing strategy, business performance.

2.2. Theoretical Literature Review

2.2.1. Definition of Risk

In most of economic publications, risk refers to the negative deviation from the plan (Maylor, 2010). Ghosh (2015), defines risk in banks as a potential loss that may occur due to some antagonistic events such as economic downturns, adverse changes in fiscal and trade policy, unfavorable movements in interest rates or foreign exchange rates, or declining equity prices. Every business faces risk, some are predictable and under management's control and some are unpredictable and hence uncontrolled. We can take risks as an opportunity to get higher returns because higher risks are associated with higher returns (Mehmood, and Zhang, 2010).

A risk can be defined as an activity, which may give profits or result in loss, may be called a risky proposition due to uncertainty or unpredictability of the activity of trade in future. In other words, it can be defined as the uncertainty of the outcome earnings (Vasavada, Kumar, Rao & Pai, 2005).

Risks may be defined as uncertainties resulting in adverse outcome, adverse in relation to planned objective or expectations (Kumar et al, 2005). In the simplest words, risk may be defined as possibility of loss. It may be financial loss or loss to the reputation/ image (Sharma, 2003). Uncertainty is the case when the decision-maker knows all the possible outcomes of a particular act, but does not have an idea of the probabilities of the outcomes. On the contrary, risk is related to a situation in which the decision-maker knows the probabilities of the various outcomes (Sharma, 2003).

Osborne (2012) has indicated that, "Risks can arise as a result of our business's activities or as a result of external factors such as legislation, market forces, and interest or exchange rate fluctuations, the activities of others or even the weather. They can be a product of business environment, the natural environment, and the political or economic climate or of human inadequacies, failing or errors. The bottom line is that risk may impact on our ability to meet our business objectives or even threaten the business itself."

The types and the degree of effect of risk defers among business organizations, even within industry level as they might differ in their size, complexity of task, types of service or product being offered or organizational structure. Thus, risks that business organizations face are inherent to their operations or endeavors. As to the classification of risk Jorion and Khoury (1996) argument has cited by Khan and Ahmed (2001) discusses that, there are different ways in which risks are classified. One way is to distinguish between business risk and financial risks. Business risk arises from the nature of a firm's business. It relates to factors affecting the product market. Financial risk arises from possible losses in financial markets due to movements in financial variables (Jorion and Khoury 1996). It is usually associated with leverage with the risk that obligations and liabilities cannot be met with current assets (Gleason 2000).

2.2.2. Types of Risk in the Banking Sector

According to Raymond (2012), financial risk management is the quality control of finance. It is a broad term used for different senses for different businesses or things but basically it involves identification, analyzing, and taking measures to reduce or eliminate the exposures to loss by an organization or individual.

Financial risk management is the task of monitoring financial risks and managing their impact. It is a sub-discipline of the wider function of risk management and an application of modern financial theory and practice (Moles, 2016). Banking is the intermediation between financial savers on one hand and the funds seeking business entrepreneurs on the other hand. As such, in the process of providing financial services, banks assume various kinds of risk both financial and non-financial. Moreover, this risk inherent in the provision of their services differs from one product or service to the other (Adarkwa, 2011).

These risks have been grouped by various writers in different ways to develop the frameworks for their analyses. Crouhy et al. (2006) formulate a different classification of risks in banks that credit risk, market risk, liquidity risk, operational risk, business risk, legal risk, reputation risk and strategic risk.

2.2.3. Credit Risk

According to Okehi (2014), credit risk is the consequence of borrower's refusal or inability to pay what is owed when required. Credit risk therefore is the exposure faced by a bank as a result of a borrow default in meeting a debt obligation at maturity. The cumulative effect of these defaults could result to financial distress of a bank if not managed appropriately. Banks are therefore expected to maintain their credit risk exposure within acceptable limit by maximizing their risk adjusted rate of return for the enhancement of their profit.

According to Greuning and Bratanovic (2009), formal policies lay down by the board of directors of a bank and implemented by management plays a vital part in credit risk management. As a matter of fact, a bank uses a credit or lending policy to outline the scope and allocation of a bank's credit facilities and the manner in which a credit portfolio is managed that is, how investment and financing assets are originated, appraised, supervised, and collected.

2.2.4. Risk and Banking Risks

In the past, the word "danger" referred to situations where something dangerous could happen (Kate Woodford et al., 2003). The Oxford English Dictionary also defines risk is chances of danger, loss, damage or other adverse consequences". The above definitions indicate that the previous understanding of risk only emphasized the negative aspects. Today, however, taking risks with can also yield positive results (Paul Hopkin, 2010). Therefore, risk is an event that can have both positive and negative out comes. Dangers in managing account commerce, dangers in exchanging exercises, and dangers in our typical life or anything kind of dangers are what possibly happen at some point within the future. The keeping money commerce, compared to other types of commerce. Credit hazard may well be partitioned into two types: lending chance, backer chance and counterparty hazard. Loaning hazard is due to the violation of agreement when borrowers or bond backers don`t reimburse their obligations. Pre-settlement hazard is the chance that counterparties damage the agreement before the ultimate settlement**.** Managing credit risk is crucial in managing financial institutions. This involves managing the risk/reward relationship, minimizing credit risks in various areas such as quality, concentration, money, growth, security, and type of credit facility. (Bank of Jamaica, 2005).

Although the specifics of credit risk management will vary among teachers depending on the nature and complexity of their credit risk and portfolio, a credit risk management program should comprehensive application of the requirement to distinguish between the existing or potential credit risks faced by an organization in the conduct of its business activities and to create and execute sound and reasonable credit arrangements to effectively monitor and control these risks; create and implement attractive credit authorization forms, documentation and collection; and develop and implement comprehensive strategies to effectively screen and control the nature, characteristics and quality of credit portfolios (Bank of Jamaica, 2005).

2.2.5. Credit Risk Management Policies

The establishment of an compelling credit hazard administration program is the recognizable proof of the existing and potential dangers inborn in an institution`s credit items and credit exercises.

The focus on increased productivity, enhanced thinking and an infinitely complex financial environment have led to imaginative approaches to credit and credit default. The measurement of the risk associated with each credit transaction ensures that total counterparty exposures, concentration limits and risk/benefit ratios are guaranteed for both control and detail purposes. Credit methods establish the lending system and reflect the credit culture and code of conduct of the entity. To be persuasive, the approach must be properly communicated, applied at all levels of the organization through appropriate procedures, and occasionally reconsidered in light of changing circumstances (Bank of Jamaica, 2005).

The credit agreement must contain at least: credit risk logic for the degree of credit risk that the council is willing to project; joint credit areas that the entity is willing to guarantee or not; Establish a clear definition, an appropriate level of approval, delivery or cancellation by experts and a sound and prudent approach to the investment portfolio. Credit agreements will be established and maintained in a credit risk management environment to ensure that all credit transactions are conducted to the highest imaginable standards of ethical behavior (Bank of Jamaica, 2005).

Kessey, (2015) has made a comparative clarification of the credit arrangement. Credit policy according to Kasey includes, among other things, the credit risk argument that manages the degree to which the organization is willing to expect this opportunity. These are common lines of credit that the institution is willing or unable to lock. Again, credit agreements establish rules and systems to mandate credit portfolio management. Credit policies, if effectively updated, will enable the currency-related institution to maintain strong credit underwriting standards. Moreover, it helps teachers to investigate, filter and control credit opportunities. Again, it includes the assessment of unused trading opportunities, segregation, adjustment and collection of hardship credits. This suggests that the credit access system to address risk must be comprehensive.

2.2.6. The Credit Process

Loan preparation begins with a thorough investigation of the borrower's financial strength or ability and willingness to repay the loan (Bearing Point, 2006). The analyst must understand the loan officer's assessment of the borrower's current and projected financial condition; the borrower's ability to withstand hostile or "stressful" circumstances; the positive association between a borrower's credit history and determinable and expected repayment capacity; The ideal loan structure, including advances, guarantees and detailed requirements for collateral elements; Collateral pledged by the borrower: quantity, quality and liquidity; the bank's ability to provide guarantees under the most extreme conditions; and managerial and subjective variables such as industry and economic conditions.

This prepares starts with the collection, examination and assessment of data required to determine the financial soundness of the borrower looking for credit from the bank. After the credit analysis is completed and borrower has been decided to be a worthy chance, the credit officer proposes an advance structure for endorsement.

2.2.7. Process of Credit Management

Proper credit management starts with assessing client creditworthiness and business viability through careful credit application review, especially if extending a credit or revolving line. Proper credit administration sets criteria for clients before accepting credit. Base and Rolfe’s (1995) show that quality credit administration is crucial for financial institution success. This includes assessing total credit line for clients.

A sound credit hazard administration system is critical and begins by distinguishing the dangers included. In the event that credit chance administration does not distinguish and legitimately get it the dangers at that point it is bound to fall flat at a few points. Compelling credit chance administration begins by dodging the awful exchanges to begin with. Credit hazard administration ought to be proactive and begin with the start handle. Exchanges ought to fit the profile and ability of the organization and make trade sense on a chance balanced premise. (Nishiru 2001).

A few variables are 12 used as portion of the credit administration handle to assess and qualify a client for the receipt of a few frame of commercial credit. This incorporates gathering information on the potential customer`s current money related.(Nishiru, 2001).

2.2.8. Credit Application

The credit application is the primary step in the credit management process. 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: name of the applicant, address, residential address, age, telephone number, marital status, number of dependents, educational background, hometown, the type of business, business location, number of years in business, reasons for the loan, amount required, the repayment period, security pledge if any and guarantors. It is the content of this document which financial institutions can take any legal action against a borrower who defaults. Since this is the initial stage of the credit management process any error committed at this stage goes a long way to negatively affect the whole process. A loan defaulter can escape legal punishment if the content of the loan application form is not properly structured. Hence the need to evaluate the existing loan application forms to ensure that they are properly structured to protect the credit unions. (Abdou, H. A., &Pointon, J., 2011).

2.2.9. Credit Assessment

Bank credit analysis involves verifying and determining the creditworthiness of a potential client by looking at their financial state, credit reports, and business cash flows. The goal of credit analysis is to determine the level of default risk that a client presents to the company and the losses that the bank will suffer if the client defaults. The risk level that a client presents determines whether the bank will approve or reject the loan application, and if approved, the amount to be awarded.

Loan officers should acquire collateral and credit security info, asking clients to provide documentation like vehicle logbooks and land titles, proving ownership and value as recent valuations or higher. The collateral must be verified by officers as existing and declared value. Clients must be informed about the loan recovery process and collateral seizure in case of default.

Banks minimize default risk through thorough analysis, but if default is imminent, seizure may be necessary.

The credit analysts and loan officers base their decision on the entire analysis. The analysis helps in reaching a decision on whether the risk level is acceptable or not and to what extent. The amount of loan to be awarded to the borrower will depend on whether the lender is convinced that the loan will be repaid within the agreed terms and duration. The bank can either approve the total amount of loan requested or decide on a specific amount of loan that is below what the borrower applied for. Whatever the decision, the lender must communicate to the borrower its decision before the disbursement is made.

This is often the strategy for gathering the fundamental data on a potential borrower and projects in other to conduct hazard appraisal work out to decide the related hazard. This is carefully done by the financial teach some time recently giving any credits. Usually too done to check the reasonability of the proposed venture to be embraced. This as well makes a difference to look at the technical viability, the financial practicality and the money related practicality of the venture to be embraced. The risk related with the advance can be diminished by doing the over. Credit chance essentially implies the 13 risk of default as a result of a borrowers‟ disappointment to reimburse the advance taken from a financial institution.

The dissimilarity within the mnemonics relates to the basic guideline of assessing the potential of having credit reimbursed. Credit Examination hence ascertains the dangers related with loaning functions in money related educate .Typically an sign that on the off chance that the credit appraisal isn't appropriately done by the credit union, the chance related with the credit will not be distinguished. It is by and large carried out by the prepared staff of the credit office of the teach which are locked in in providing credit to their clients. Within the display case, handle used in credit chance assessment and evaluation has been studied to recognize the different parameters and stages in credit assessment; appraisal and payment forms exist within the money related institution. It is expecting to create sure actions which loan specialists take which encourage reimbursement or diminish reimbursement likely issues.

This information approximately the peril of the borrower makes the monetary institution to require remedial 14 actions like inquiring for collateral, shorter length of reimbursement, tall intrigued rates and other forms of installment (Stiglitz and Karla, 1990) .When a budgetary institution does not do it well, its performance is profoundly influenced. Edminster (1980) focused the significance of credit investigation when he watched that its surrender regularly brought about into a few banks utilizing credit card to handle.

This in turn leads to a greater hazard, more extraordinary credit apportioning and moo reimbursement rates.

According to Hunte (1996), the factors we have include the time required to prepare an advance application, the involvement of credit and some guarantee of obtaining a recognized advance. Long wait times have been identified, strong credit data is needed to make educated credit choices, and funds are available to help make loans. This, in turn, leads to higher risks, abnormal credit provisions and lower repayment rates.

2.2.10. Credit Disbursement

After screening and approval of the loan application, funds are disbursed to the client, called credit payment. (Duga, H., 2021) Assessed security documents must be verified before making the reservation available to the customer. Poor credit checks can undermine the efficiency and security of the due diligence process and can be exploited by corrupt employees. (Doga, H., 2021). When a credit application meets all of the institution's credit conditions, a thorough and detailed investigation will be conducted to determine whether the application meets the institution's requirements, at which time a guarantee will be presented and will deliver to the applicant.

2.2.11. Credit Monitoring

How do banking regulations affect loan repayment? Assessing this causality is difficult. The company's payment performance is likely to affect banking regulation, putting it at risk of reverse causality. In addition, the obscure status of the borrower firm may affect its ability to meet its contractual obligations and the bank's monitoring incentives, making it difficult to accurately determine the effect of bank monitoring.

Unless early warning signals are captured, a financial institution may not be able to require legitimate medicinal measures to capture and decrease bad debt within the institution. Budget agencies need to deploy a robust and effective credit monitoring framework to look at borrowers' accounts from different angles so they can act quickly. According to Robinson (1962) and Anjichi (1994), many money walkouts, dissatisfaction and distress can be mitigated by good credit control and post-start-up preparation. Good supervision makes all the difference and continuous improvement. This can be a walk around the borrower's premises to check for common problems. Insufficient support is often a harbinger of financial difficulties. Monetary institutions can adjust their lending programs and loan control strategies. In addition, tracking store tilt and movement provides an indication of the status of a customer's trade display. Monitoring the advanced help service provided to customers is essential to ensure a successful co-payment. Huppi and Feder (1990) found that skillful monitoring can improve loan recovery rates by detecting potential threats (such as past concerns) and reminding defaulters of their responsibilities to lenders, thus advocating greater efforts to repay loans Credit bureau compliance is often coordinated to ensure payment when there is evidence of accrued interest and principal payments.

2.2.12. Credit Recovery (work out process)

It is a verifiable truth that any loaning company wills involvement clients who will default on payments or disappointment to acknowledge at all. This can be why budgetary teaching makes arrangement in their books for destitute and questionable obligation to cover these projections. In case the bank has made each effort to arrange an friendly reimbursement understanding and has been unwilling, it would be fitting to consider the credit as a recuperation matter. The collection of a credit sum entirety from a client in default is known as credit recuperation. Financial educate got to be mindful of credits that are at chance of not being paid back (also known as NPL or non-performing loan).

Credit Analysis and Appraisal

Golin, J. and Delhaise, P. (2013) A credit survey is described as an assessment of a borrower's ability to obtain adequate benefits from an advance payment. This is done to ensure that early payments are made to borrowers who can pay on time. The type and extent of research required depends largely on the type and extent of credit, but generally significant credit is placed so that all parties benefit and achieve their goals. Credit inquiries are the most common means of reducing a loan applicant's chances of getting credit. The credit inquiry is also an essential link in credit management.

Banks use the five C's of credit to assess creditworthiness: Character, Capacity, Capital, Condition, and Collateral (Disemadi, 2019).

According to E.M. Gatimu, in 2014, the capacity to reimburse an advance is the degree to which a borrower can do so. Without the ability to pay back the loan, the obligation's potential is useless. Character refers to a person's appearance and ability to perform a well-defined objective. Besides being able to look good, other factors such as truthfulness, duty, and deliberate repayment are also taken into account to evaluate a person's character.

Character It is the degree to which the borrower's capacity to reimburse the advance, agreeing to Gatimu, E. M. (2014). The obligation reimbursement potential is useless unless the borrower is able to reimburse the loan. Character alludes to the borrower's appearance in terms of accomplishing a well-defined objective and having a capable state of mind toward utilizing the borrowed stores. Duty, truthfulness, serious reason, and deliberate to reimburse are critical components in assessing character.

Capacity assesses borrower's ability to repay debt. Earnings indicate creditworthiness, even for a poor farmer, whose secondary income can reflect debt-paying capacity. Household size impacts available funds for necessities like food and clothing, hence also relevant to capacity evaluation.

A larger family may have less optional salary than a smaller one, as the consistent wage is split among more people. The borrower's capacity is also influenced by their existing debt (Pulley, R. V., 1989).

The success of commerce depends on ownership interest and rationale. Banks must ensure proportional risk among owners by assessing capital levels and considering factors like net worth and assets. (Bodenhorn, 2002).

Collateral secures the advance in case of default. It can be anything valuable and salable. The five Cs of bad debt, according to Brilliant and Walker (1993), are Complacency, Carelessness, Communication breakdown, Possibility, and Competition. These must be guarded against to prevent problems.

Lending problems regularly arise when a bank's lending direction and approach are not clearly communicated. The connection is usually lost. The administration needs to clarify and apply the lending approach, and the loan officer must bring the administration's attention to the point where certain issues with existing loans arise. Opportunities imply a lender's tendency to downplay or ignore situations in which lending may be impossible. This includes emulating the actions of competitors rather than complying with the bank's requirements. Banks use a variety of lending mechanisms and procedures against the backdrop of credit analysis (Alemarga, E., Tekalign, H., & Abera, N, 2014).

Credit/Focus/Constraints: - One of the rebellious factors used by money-related institutions to manage their pre-portfolios is the credit limit. Setting a credit limit is one of the most common strategies used by government officials to control credit patterns and mitigate loan risk. Moges, M. (2016) appears to be key to using credit crunch arrangements to maintain a strategic distance from credit risks that could damage an institution's funding position.

Prudence: - Banks should reconsider their prudent actions prior to the changes brought about by administrative center expansion and interest rate hikes. All loans teach people who need to develop credit safely; reducing the chances is to carefully evaluate the customer's rationality and availability. As lenders learn to randomly steer development, some clients face improperly spent income. The current financial situation has forced lenders to better, much more, better, better prepare for long distances**.**

The Risk Appraisal Show is an internal rating program used by banks to assess creditworthiness of borrowers, based on Basel II Accord requirements.

Credit scoring/credit hazard reviewing: **-** This is often a scientific framework utilized to predict the possibility that a advance will be in back payments, gotten to be reprobate or a borrower will default in repayment (Loretta 1997). This strategy is to a great extent acknowledged as the essential framework of examining the financial soundness of clients.

Non-Performing Loan

Advances and prepayments are the main source of payment for banks. Also, like any business, banks seek to maximize their benefits. Since credit and advances are more profitable than any other resource, banks are willing to lend their stores as much as possible. But banks should take care of the security of these developments (Radha.M, et al., 1980). Naturally, bankers try to solve the problem of maximizing loan profits while managing credit default risk, because this destroys profits and thus unusual capital. Therefore, banks must be careful when granting credit, as there is a greater chance of proceeding in the event of default on the loan. According to the Monetary Trade Order of Ethiopia, a bad advance is defined as “a loan or advance of impaired credit quality such that the full collection of principal and/or interest meets the legally binding repayment terms of the credit or of the advance (National Bank of Egypt).2008)

2.2.13. Credit Evaluation Process

New credit applications are analyzed using methods outlined in the previous section, such as the CAMPARI template. Credit decisions focus on business, financial, and structural risks, while also considering key credit considerations .(KenBrown,PeterMoles,2014)

The firm’s competitive Environmental factors such as innovation, brand image, and competitive cost position impact a firm's competitive advantage within its peer group .(KenBrown,PeterMoles,2014)

Industry risks specifically innovation, administrative necessities, boundaries to passage for competitors and conceivable substitutes. (KenBrown, PeterMoles, 2014)

Capital structure which may include the level of capital expenditure requirements, balance sheet commitments, accounting and tax issues, debt leverage, debt service structure, debt servicing capacity and interest, depending on the purposes of credit analysis. (i.e., whether interest payments are fixed or are periodically reviewed and priced) .(KenBrown,PeterMoles, 2014).

Financial flexibility including things like financial need plans and alternatives, access to capital markets, and covenants. Financial flexibility can include issues such as relationships with banks, lines of credit committed, current and future ability to repay, and others.(KenBrown,PeterMoles, 2014)

2.3. Overview of the bank

The Ethiopian banking sector dates back over a century. The National Bank of Egypt, owned by British nationals, established Bank of Abyssinia in 1905. For 50 years, the private bank provided currency issuance and commercial banking services under contract with the Ethiopian government. (Mihiretabetal, 2010)

Awash Bank is an Ethiopian commercial bank established in 1994 by 486 founding shareholders with a capital of 224 million birr. The number of shareholders and paid-up capital increased to more than 4.369 billion and 5.87 billion birr, respectively. Likewise, with total assets of 95.6 billion birr at the end of June 2020 and more than 700 branches across the country, Awash Bank remains the leading private commercial bank in Ethiopia. (Awash, 2021).

Accessibility is one of our bank's core values. The bank always working hard to improve our availability through various service delivery channels. We are currently the most accessible private bank in the country with an extensive branch network. In addition to our branch network, we offer 24/7 convenience to our customers with ATMs, POS terminals, internet, mobile banking and bank branches.

The Bank's objective is to transform the social and economic situation of the communities in which it operates by reinvesting funds to improve the education, health, environmental and social well-being of disadvantaged groups. The number of primary schools built in collaboration with NGOs, the improved health facilities and the planting of trees in different parts of the country are clear evidence of the positive impact of our activities.

Awash Bank success is measured by the achievement of our organizational goals and those outlined in our strategy. In this context, we have developed a 10-year strategic roadmap under the slogan "Transforming AIB: Vision 2025". Have ambitious financial and non-financial goals. However, our results so far indicate that the bank is on track to meet these targets by 2025. Awash Bank has outperformed the banking sector average on most measures of financial performance over the past decade. In fact, Awash Bank is growing fastest among the private banks operating in the country. We attribute this remarkable success to the visionary leadership of our Board of Directors, dedicated management team, committed employees and loyal customers.

The bank offers services like overdraft, special overdraft for exporters, Temporary overdraft (in exceptional cases), and overdraw from accounts, merchandise loan, revolving merchandise loan, one-time merchandise loan, merchandise loan against warehouse receipts, and merchandise loan against import documents. Term loans, loans to the agricultural sector, industrial loans, loans for domestic trade and services, loans for domestic trade, loans for hotel projects, loans for international trade, loans for export (revolving credit, advances of DBE export guarantee, financing forms etc.), term loans and overdrafts.), import loans (short-term loans or bank credit, letter of credit (L/C) with deposit letter of credit), construction and real estate loans, construction machinery loans, transportation loans, financial institutions of loan, syndicated financing, for the purchase of privatized real estate loans, Consumer loans, purchase loans - direct bank - loans and loans for the sale of mortgages .

2.4. Related Theories

2.4.1. Risk management Theory

Risk management model consists of risk identification, risk assessment and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities (wenk, 2005). The strategies to manage risk typically include transferring the risk to another party, avoiding the risk, reducing the negative effect or probability of the risk, or even accepting some or all of the potential or actual consequences of a particular risk.

According to Dorfman (2007), ensuring that an organization makes cost effective use of risk management first involves creating an approach built up of well- defined risk management and then embedding them. These risk managements include financial risk management, operational risk management, governance risk management, and strategic risk management.

The state bank of Pakistan (2003), in its risk management guideline for commercial banks has claimed that, the risk management activities takes place at different hierarchical levels. Hence, it has indicated the following hierarchical levels of risk management activities in every financial institution.

Strategic level: at this level risk management functions performed by senior management and BOD. For instance, definition of risks, establishing institutions risk appetite, formulating strategy and policies for managing risks and establish adequate systems and controls to ensure that overall risk remain within acceptable level and the reward compensate for the risk taken.

Macro Level: This level incorporates risk management within a business area or across business lines and all risk related activities performed by middle management or units dedicated to risk reviews fall into this category.

Micro Level: It involves “On-the-line” risk management where risks are actually created. The risk management in those areas is confined to following operational procedures and guidelines set by management.

2.4.2. Enterprise Risk Management Theory

According to Tseng (2007), Enterprise Risk Management (ERM) is a framework that focuses on adopting a systematic and consistent approach to manage all of the risks confronting an organization. In conducting ERM, the following are listed as some of the areas or aspects of the organization that a risk manager need to look into namely: the people, intellectual assets, brand values, business expertise and skills, principle source of profit stream and the regulatory environment (Searle, 2008).

The main advantage of ERM over traditional risk management is the management of all risk types together instead of using the older silo approach. By integrating decision making across all risk types, firms can exploit natural hedges, thus avoiding the costs of the duplication of risk management. Firms engaged in ERM should have a better understanding of the aggregated risk of different business activities, providing them with a more objective basis for resource allocation. This will improve return on equity (ROE) and capital efficiency (Meulbroek, 2002).

ERM provides a framework which combines all risk management activities, facilitating the identification of interdependencies between risks. Thus an ERM strategy aims to reduce volatility by preventing aggregation of risk across different sources (Hoyt, R. E., and Liebenberg, 2011). Enterprise risk management (ERM) was developed because the traditional form of risk management did not produce effective results (Lam, 2000). COSO (2004), developed an ERM Integrated framework to help organizations evaluate and improve their ERM.

COSO defines ERM with the following definition: “Enterprise risk management is a process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives”. The main objective of ERM is to help management to deal with uncertainties and the associated risks and opportunities in the process of creating value.

2.4.3. Contingency Planning Theory

According to Hinson and Kowalski (2008), Contingency planning (CP) also known as business continuity planning is a crucial element of risk management. The fundamental basis of contingency planning (CP) is that, since all risks cannot be totally eliminated in practice, residual risks always remain.

2.5. Risk Management Process

The banking industry is no doubt a regulated sector as a result of the riskiness of its operation. Consequently, risk management in banks is fast becoming a discipline that every participants and players in the industry need to align with. According to NBE guideline (2010), the risk management processes are:

1. Risk Identification

Before taking any meaningful action to address our risk, risks must first be identified. Almost every product and service offered by banks has a unique risk profile composed of multiple risks. In order to properly manage risks, an institution must recognize and understand risks that may arise from both existing and new business initiatives.

2. Risk Measurement

Once risks have been identified, they should be measured in order to determine their impact on the banking institutions profitability and capital. This can be done using various techniques ranging from simple to sophisticated models.

3. Risk Control

After measuring risk, an institution should establish and communicate risk limits through policies, standards, and procedures that define responsibility and authority. These limits should serve as a means to control exposure to various risks associated with the banking institutions activities.

4. Risk Monitoring

Institutions should put in place an effective management information system (MIS) to monitor risk levels and facilitate timely review of risk positions and exceptions. Monitoring reports should be frequent, timely, accurate, and informative and should be distributed to appropriate individuals to ensure action, when needed.

2.6. Empirical literature reviewers

The following section is present related studies conducted by different researchers in Ethiopia.

Samuel Ademe (2015) counts the 16 private banks, and the researchers classify them into three categories. The biggest problem with liquidity risk is its systemic impact. A liquidity problem at one bank will cause depositors at other banks to withdraw their money in anticipation of the same problem at their own bank.

Tibebu (2011), banks should hire anyone with significant experience and qualifications in credit risk management who is aware of the significant impact of credit risk management on banks' profitability. Colleges and universities across the country would do well to add "credit risk management courses" to their curricula, not just for master's students, but for undergraduates and undergraduates as well.

Hirut Kassa (2019), based on the results, the paper recommends that internal and external factors that allow banks to maintain good credit standards should be taken into account when designing and implementing bank credit policies; monitor and control credit risks in order to adequately assess new risks. Job opportunities Identify and manage credit problems.

Hailu e, (2018), according to the survey results, the study recommends the following banking management institutions to further investigate the main reasons affecting credit risk management practices in the respective banks and try to improve continuously the main factors affecting credit risk..

Aragaw (2016), assessed the level of credit risk management practice in commercial bank of Ethiopia. The independent variables were establishment of an appropriate credit risk environment, operating under sound credit granting process, maintaining an appropriate credit administration, measurement and monitoring process and ensuring adequate control over credit risk and the dependent variable was credit risk management practice. The overall finding shows that the credit risk management practice is highly and positively related with establishment of appropriate credit risk environment

Abiy Mogs, (2021), based on the findings, the paper indicates that there is less support from senior management and that improvements are needed to ensure adequate and clear credit management guidelines. Similarly, banks must design new ways of dealing with borrowers for loan recovery. To date, much consideration has been given to specific aspects/issues of credit risk. Afandi (2014) examines the adjustment of credit risk management in commercial banks in Kenya. Insights show that commercial banks in Kenya use various credit management opportunities such as due diligence, security checks, borrower credit checks, credit allocation, early-stage securitization and credit pooling, among others techniques

Consideration Kessey (2015) examines credit risk management in the management of the accounting profession in Ghana: paradigms and challenges and follows the findings. Some of the main findings of the audit indicated that the bank had credit risk management rules on file and their implementation was overseen by a senior manager. However, the audit revealed that there were some implementation issues related to the credit risk policy, which improved the quality of the bank's credit portfolio. It is also recommended that the Bank's randomization arrangements be reviewed periodically.

Abdu (2004) studied Bahrain's commercial banks in the period 1994-2001, focusing on credit, liquidity, and profitability. Nine financial ratios were used to evaluate performance. Results showed that these banks were less profitable and less liquid than the banking industry as a whole, and that they were exposed to greater risks. However, the study found no clear conclusions regarding asset quality or credit performance. Sorry, it is not possible to shorten the text as it only consists of five digits. Hagos (2010) studied Credit Administration on Wegagen Banks. The aim was to evaluate the bank's execution of credit administration in Tigray Region compared to National Bank's prerequisites. The findings showed hindrances to loan growth and client complaints about property valuation, long processing times, approval amounts and periods, and limits affecting credit management.

Firew (2012), this study assessed the operational risk factors and its impact in banks performance the case of commercial banks in Ethiopia. The researcher used mixed research design (qualitative and quantitative). The findings showed that there is a positive correlation coefficient between the operational risk effect and operational risk factors, business disruption and system failure have strong and positive relation with operational risk and finally the researcher tells us majority of respondents were positively responded to the board approval of operational risk policies and procedures of the banks.

2.7. SUMMARY OF REVIEWED LITERATURES

There are limited studies providing empirical evidence to the risk management practices of commercial banks in Ethiopia. However, as per the researcher knowledge there is a few study is conducted to see risk management practices in Awash banks related with strategic and reputational risks almost all previous studies focused on financial risks which means Credit risk, Liquidity risk, Market and Operational risk. Operational risk is nonfinancial risk but excludes strategic and reputational risk. Theoretically, there are financial and non-financial risks in banks. So that this study is aimed to fill the gap in the literature by focused on the nonfinancial risks in order to operational actives (operational, monitory, application and collection risk) management practice and in addition to this the researcher is assessed the financial risks in Ethiopian commercial banks.

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. INTRODUCTION

This research is designed to assess Assignment of Credit Risk Management Practice; The Case of Awash Bank Addis Ababa. This chapter presents the methodology had been used for data gathering as well as the relevant statistical analytical tools that have been employed for analyzing the results that gathered during the study. The subsections below included research design, target population, sampling technique & sample size, source of data, data collection procedures, methods of data analysis and ethical considerations.

3.2. RESEARCH TYPE/APPROACH

According to Creswell (2009), research approaches are plans and procedures for research that span the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation. According to Creswell (2014) quantitative research is an approach for testing objective theories by investigating the relationship among variables. According to the author these variables in turn can be measured, typically on instruments, so that numbered data can be analyzed using statistical procedures. Therefore, to empirically test the hypotheses developed for the study the researcher was employ both quantitative and qualitative research approaches.

3.3. DESIGN OF RESEARCH

According to Kohtari (2004) descriptive research studies are those studies which are concerned with describing the characteristics of a particular individual, or responses. Qualitative research design is a design used to find out how people feel or what they think about a particular subject or institution, whereas quantitative design is based on the measurement of quantity or amount hence quantitative research design in this study was used in calculating simple percentage and number of respondents. As Saunders et al. (2009) explanatory research designs try to establish cause-and-effect relationships of two or above variables. The primary purpose of explanatory research design is to determine how events occur and which ones may influence particular outcomes, in this case the credit risk management. Therefore, this study was used both descriptive and explanatory research design.

3.4. SAMPLING

3.4.1. TARGET POPULATION, THE CONTEXT AND UNITS OF ANALYSIS

For the purpose of getting accurate information from samples the researcher used both companies' staff that are involved directly with the business. The population of interest for this study was staff the company. Thus, by using simple random sampling the researcher selected respondents awash bank 4 branch Addis Ababa. This sampling technique was used to select those respondents to get reliable and sufficient information regarding their marketing strategy within the company and to easily contact respondents. All populations in this sample are assumed to be homogenous (no segmentation geographically level). Lastly, proportional sampling technique was used to select samples from the population in order to get the required sample size from awash bank.

As per Glenn (1992) the sample size is very important in order to be representative of the population which ultimately enables to draw generalizable conclusions from selected sample members. The total population of this study was taken from 4 branches in awash bank. **SAMPLE SIZE**

In research methods, a population refers to the entire group of individuals or objects that share a common characteristics and are of interest to the researcher. The population is the complete aggregation of all items from which samples can be drawn (Yahiya, 2011). The population of this study were branches in awash bank . Currently, as per AB (2022/23) annual report, the number of banks operating in the country is more than 700 branches . To meet the desired objective of this study and to make generalizations from sample to population, the researcher was purposely sampled 4 branches .

The researcher was engages the marketing manager or market staff in an interview to reinforce the information the researcher was gather through questionnaires. The researcher believes that the selected study area convenient for better access to relevant data and easy communication with participants. Though, incorporating all employees" idea on the analysis would have been better for conclusion and generalization, economically and operationally it will very difficult to contact all employees in the research.

3.4.2. SAMPLING TECHNIQUES

In order to select sample respondents from the total study population simple random sampling was taken from each strata because it provides an equal chance of all members being selected in the sample and avoid bias.

A purposive sampling method was used during the selection of sample respondents for the interview. Because the purposive sampling technique is the deliberate choice of an informant due to the qualities the informant possesses, simply put, the researcher decides what needs to be known and seeks for persons who are able and willing to share information based on their knowledge or experience (Tongco, 2007). .

3.5. DATA COLLECTION INSTRUMENT

According to Khan et al. (2007), there are two types of data: qualitative and quantitative. Cooper (2014), argues that qualitative research draws data from a variety of sources, for instance People (individuals or groups), organizations or institutions, texts (published, including virtual ones), settings and environments (visual/sensory and virtual material), objects, artifacts, media products (textual/visual/sensory and virtual material). This research was mixed and used primary data. Primary data was collected by distributing self-administered questionnaires for the respondents. Questionnaires were consisted of mostly close ended questions were the respondents have to select an answer from the given choices were designed. However, to give the respondents the opportunity to answer the question in their own words, some open ended questions were included.

In the process of data collection, a questionnaire and an interview were used. A questionnaire is an instrument by which information is obtained from respondents in written form. A questionnaire was prepared for 50 respondents, and interviews were conducted with 3 risk management department manager. It consists of both closed-ended and open-ended questions with the intention of disclosing the free opinions of respondents. Because respondents who are asked open-ended questions are more likely to respond with sentences, lists, or stories, which lead to fresh and deeper insights and Closed-ended questions, are useful in surveys because they reduce the amount of typing required by respondents. In addition, responses to closed-ended questions are simple to analyze statistically.

3.6. PROCEDURES OF DATA COLLECTION

The first step has been to council and taking advice from the advisor. Questionnaire has been prepared as a main data collection instrument. The ultimate purpose for this choice of data collection instrument is because; based on the fact that the research method is a quantitative method; questionnaire is the best way to collect quantitative data. The second step after building the questionnaire was to run the pre-test for checking the efficiency and appropriateness of the questionnaire in order to explore the relevant and irrelevant items in the questionnaire. The last step was to conduct the survey and collect data.

3.7. DATA ANALYSIS AND PRESENTATION

According to Walliman (2011) data analysis is a process of gathering, modeling and transforming data with an aim of retrieving useful information, suggesting conclusions and supporting decision making. For this study statistical software called Statistical Package for Social Science (SPSS) V26 was used. The data processed and analyzed was presented by tables, and graphs. Both the descriptive and inferential analysis was conducted using statistical software called Statistical Package for Social Science V26. Descriptive analysis has been used to analyze data gathered through questionnaires. The data gathered through questionnaires was fed into SPSS to make the data ready for processing. At last the presentation and report was done through graphs, figures, and tables. The inferential statistics is used to examine the relationship and the direction of the relationship between marketing strategy practices and business performance. Multiple regression analysis was also applied for the research to address research objectives

3.8. RELIABILITY

Reliability estimates the consistency of the measurement or simply the degree to which an instrument measure the same way this time it is used under the same condition with the same subject. Thus, the reliability of data tested using the statistical methods of describing the data average, percentages frequencies and tables used for the analysis of the data and assisted for interpretations. Reliability is essential about consistency if we measure, something many times and the result is always the same. Then, we can say that our measure is reliable (William G. 2006).

3.9. VALIDITY

Validity: is extent to which a test measures what we actually wish to measure and a measure of truthfulness of a measuring instrument. It indicates whether the instrument measures what it claims to measure to raise the validity of the research, the

- The data was collected using developed questionnaires
- The questionnaires was distributed and collected by the researcher.

The questionnaire was pre-tested with employees to test the content validity of the instrument and to check the clarity, length, word ambiguity and structure and their suggestion was incorporate before the final distribution of the questionnaires.

3.10. ETHICAL CONCIDERATIONS

According to ***Kumar and Kandasamy (2012)*** ethical considerations in research work includes the following:
Right to be informed: research participants have the right to be informed of all aspects of a research task. Knowing what is involved, how long it will take, and what will be done with the data, a person can make an intelligent choice to whether to participate in the project.

Right to Privacy: all employees have the right to privacy. Employee's privacy can be defined in terms of two dimensions of control. The first dimension includes control of unwanted telephone, mail, e-mail, or personal intrusion in the employee's environment, and the second concerns control of information about the employees.

Confidentiality: Moreover, ethically, confidentiality concerns must be observed. For e.g., i use only number codes to link the respondent to a questionnaire and storing the name –to- code linkage information separately from the questionnaire, and refuse to give the names of respondents to anyone outside the research project.

Individual respondents will never be identified in reporting survey findings; completely anonymous summaries, Respondents must be asked for their consent to participate in a survey, and their privacy and rights must be observed. Appropriate communication was undertaken with the staff of the companies. During data collection respondents were informed on the objective of the research.

CHAPTER FOUR

4. RESULT AND DISCUSSION

In this chapter, the data collected has been analyzed and interpreted. The data collected is mainly based on respondents‟ expectations and perceptions of the various items. The first part of the questionnaire consists of demographic information of the respondents are presented in figures and tables below. The second part of the questionnaire presents the descriptive analysis on variables of the study and the next part deals with the results of regression and correlation between strategies influencing business performance. In this analysis SPSS version 26 was used to make the necessary calculations. About 50 questionnaires were distributed to respondents and all were appropriately filled and returned. Thus, questionnaires were usable for analysis using five point likert scales.

4.1. RESPONSE RATE OF THE PARTICIPANTS

The questionnaires were prepared and distributed to 50 staffs members out of these all were kindly enough to fill and complete the questionnaire properly and return. In general the following table displays the total number of distributed and returned questionnaire.

Table 1. 1 Distributed, returned and unreturned questionnaires

Questionnaires	Number	Percent
Returned	50	100
Unreturned	0	0
Total	**50**	**100**

4.2. DEMOGRAPHIC PROFILE OF THE RESPONDENTS

The demographic characteristics of the target respondents and their respective companies have here been summarized and presented in the form of figures and tables showing their frequencies and valid and percentages. The study participants on survey questionnaires have different personal information; besides these differences they introduce different responses towards the marketing strategy practices. The study sought to establish the gender, age category, level of education, and service year status of the respondents in the bank. The respondent profile who participated in the study presented the demographic characteristics of the 50 respondents.

Table 1. 2 Demographic characteristics of the respondents

Variables	Category	Frequency	Percentage	Mean	Std. Deviation
Gender of respondents	males	31	62.0	1.4	0.49
	females	19	38.0		
	Total	50	100.0		
Age Of Respondents	21-30	4	8.0	2.7	0.95
	31-40	19	38.0		
	41-50	14	28.0		
	51 and above	13	26.0		
	Total	50	100.0		
Educational Status Of Respondent	12 complete	7	14.0	2.6	1.09
	diploma	24	48.0		
	degree	3	6.0		
	masters	16	32.0		
	PhD	-	-		
	Total	50	100.0		
Length Of Years Working In The Company	less than 3 years	12	24.0	2.6	1.10
	3 to 5 years	6	12.0		
	6 to 8 years	20	40.0		
	more than 8 years	12	24.0		
	Total	50	100.0		

Source: own research survey, 2024

The above table 1.4 presents data on gender of respondents. The table shows that the male respondents formed majority of the sample population with a total number of 50 representing

62.0% male and 38.0% respondents was female. This analysis is an indication of a slightly high male composition of the members of employees of bank.

Analyzing the data obtained from the questionnaire, the above table discloses 19that respondents were between 31-40 years representing 38.0% formed the majority. The next larger numbers of respondents were between the ages of 41-50 representing 28.0% and they were 14 in number. The third group of respondents was fall under the age category of above 51 years with the number of 13 which representing 26.0% & between the ages of 21-30 representing 8.0%. From the above data, it can be inferred that the majority respondents were mostly young. This indicates that most of the respondents were matured and experienced men and women fully grown up enough capable of understanding the questions asked and aware of the possible consequences their responses might have on the validity and reliability of the findings of the intended study.

It was necessary for the study to determine the educational levels of the respondents as that could determine what kind of training may be most appropriate. Hence, the above table presents the data of educational background of respondents. It can be seen that respondents hold a range of educational qualifications from 12th complete to PhD Level. Majority of the sample group were holding diploma which accounted 24 of the respondent's i.e.48.0 percent. 7 out respondents were 12th complete that representing 14.0%. Among the respondents 16 in number or 32.0% were masters, 3 respondents were first degree holders representing 6.0%. This indicates that people of different educational qualifications are present in the bank; this implies different levels of experiences which are planned and well organized may be required to improve organizational performance.

The study also sought to find out the length of service that respondents have served to the Company to enable us to put their responses into proper perspective. The above table represents the categories of years of service as indicated by the respondents. This means the bank has a combination of experienced and young professionals. It can be seen that respondents who have served 6 to 8 years 20 representing 40.0 % formed the majority while respondents who have served more than 8 years and less than 3 years followed with a frequency of 12 representing 24.0%.

4.3. DESCRIPTIVE DATA ANALYSIS

The respondents' opinion on the practices and risk management practices have here been summarized and presented in tables illustrating their respective frequencies, valid percentages. Responses were measured on a five point Likert scales

1= Strongly Disagree; 2= Disagree; 3= Neutral; 4= Agree; and 5 = Strongly Agree.

4.3.1. CREDIT RISK MANAGEMENT POLICIES AND PROCEDURES

Table 1. 3 respondents of policies and procedures

NO	Descriptions	Respondents Opinion	Frequency	Percent
1.	All credit risk management guideline are properly communicated all employees working on credit.	Disagree	1	2.0
		Neutral	4	8.0
		Agree	26	52.0
		strongly agree	19	38.0
2.	The bank has well documented credit risk management policy that elaborate product offered that have to be performed manage the credit.	Disagree	1	2.0
		Neutral	4	8.0
		Agree	26	52.0
		Strongly Agree	19	38.0
3.	The credit risk policy and procedure meet NBE's policy and procedures.	Disagree	1	2.0
		Neutral	4	8.0
		Agree	25	50.0
		Strongly agree	20	40.0
4.	There top management support to ensure that there are clear guideline in managing credit	Disagree	1	2.0
		Neutral	4	8.0
		Agree	26	52.0
		Strongly agree	19	38.0
5.	The bank gives continuous training for employee on credit policy procedures.	Disagree	1	2.0
		Neutral	4	8.0
		Agree	27	54.0
		Strongly agree	18	36.0

Source: own research survey, 2024

Based on the above table 1.5 Most of the respondents the statement that All credit risk management guideline are properly communicated all employees working on credit 52.0% agree. The bank has well documented credit risk management policy that elaborate product offered that have to be performed manage the credit 52.0% majority of respondents were agree. Majority of the respondents about 50.0% of the respondents agreed the credit risk policy and procedure meet NBE's policy and procedures. Similarly, to interview from Manager of sampled bank indicate that communities are properly works the NBE Policy and procedures as well as supporting of the banks benefits and as well as of the society as whole. But 2% of the respondent are not be simplest number because of the bank not meets the credit policy and procedures that has clearly penalty's is given by NBE so that the managers give attention and mage the appropriate decision

Respondents about the majority of them 52% agree that There top management support to ensure that there are clear guideline in managing credit. Similarly, an interview voices record from Manager of sampled bank indicate that communities are the management are supporting to controlling the credit risk

Most of the respondents' 54% of respondents were agree on the point their The bank gives continuous training for employee on credit policy procedures.

The result further revealed that most respondents (50% agree,) are agreed that the bank has proper credit risk management policies and procedures is considered that the bank is implementing based on the policy and provider's most of the result show is that properly meeting the regulation in Ethiopia.

In general, the result revealed that most credit risk management policy and procedures of implementation in the bank, the employee's familiarity with the policy and procedures and their benefits, and managerial skills in implementation and development of risk management process are considered as organizational

4.3.2. BANK CREDIT APPLICATION HANDING

Table 1. 4 Respondents of application handing

Many of the issues moving the successful credit application handing such as Collateral, the banking credit forms, bank credit capacity. How these are used in conjunction with the banks credit environment.

However, the most critical tasks can be ascribed to the very good information and communication credit application handing available in most developing countries. This credit application handing presented makes the bank provide credit risk management service and also makes the customers are use credit services properly.

NO	Descriptions	Respondents Opinion	Frequency	Percent
1.	Bank credit collection manual is simply available to work	Disagree	1	2.0
		Neutral	4	8.0
		Agree	26	52.0
		strongly agree	19	38.0
2.	Reliable information is collection from prospective borrower's in accomplished effective screening	Disagree	1	2.0
		Neutral	4	8.0
		Agree	26	52.0
		Strongly Agree	19	38.0
3.	The bank has high quality staff with required of depth knowledge	Disagree	1	2.0
		Neutral	4	8.0
		Agree	25	50.0
		Strongly agree	20	40.0
4.	Credit approval made in accordance with the bank written guideline	Disagree	1	2.0
		Neutral	4	8.0
		Agree	26	52.0
		Strongly agree	19	38.0
5.	Borrowers Credit information sensitively to economic and market development especially for major exposure	Disagree	1	2.0
		Neutral	4	8.0
		Agree	27	54.0
		Strongly agree	18	36.0

Source: own research survey, 2024

From the above table 1.6 the majority of the respondents 52 % agreed that Bank credit collection manual is simply available to work. Most of the respondents 52 % agreed that Reliable information is collection from prospective borrowers in accomplished effective screening, On this question the level of data collection and screening (scanning) may be effect by the credit facilitate employees because of the bank woks bay using branch distinction head offices process so the data collection process foots sorts by the head office credit analyst and most of the respondents 50 % the bank has high quality staff with required of depth knowledge, Respondents 52 % were agreed on the statements that their Credit approval made in accordance with the bank written guideline.

Based on the descriptive statistics survey result on 54 % agreed Borrowers Credit information sensitively to economic and market development especially for major exposure.

The result of the study as shown on the above table investigated many credit application handing related support services, reliable information collection, credit approval and borrowers credit information sensitively exposure, credit document granting current risk profile as proper application that currently commercial bank of Ethiopia faces.

4.3.3. BANK CREDIT PROVISION

Table 1. 5 Respondents of bank credit provision

There are some roles of banking sector in credit provision such as, letter of credit, Project Financing, leases financing, etc. Bank is the authorized organization which can store and transact money.

The credit developments in banking sector make transaction activities much economic development and cheaper for customers. Banking in Ethiopia faces numerous challenges to fully address all types of credit.

NO	DESCRIPTIONS	Respondents opinion	Frequency	percent
1.	Loan are regularly reviewed and classified in a manner appropriately reflect credit risk	Strongly disagree	-	-
		Disagree	1	2.0
		Neutral	4	8.0
		Agree	26	52.0
		Strongly agree	19	38.0
2.	The banks consider and documented in credit granting the adequacy an enforceability of collateral or guaranty under various scenarios.	Strongly disagree	-	-
		Disagree	1	2.0
		Neutral	4	8.0
		Agree	26	52.0
		Strongly agree	19	38.0
3.	Credit service make complain during loan processing	Strongly disagree	-	-
		Disagree	1	2.0
		Neutral	4	8.0
		Agree	25	50.0
		Strongly agree	20	40.0
4.	The bank is working on increasing the loan size by designing (developing) and offering new loan products.	Strongly disagree	-	-
		Disagree	1	2.0
		Neutral	4	8.0
		Agree	26	52.0
		Strongly agree	19	38.0
5.	Loan is processed and approved timely	Strongly disagree	-	-
		Disagree	1	2.0
		Neutral	4	8.0
		Agree	27	54.0
		Strongly agree	18	36.0

Source: own research survey, 2024

Based on the above table 1.7 most of the respondents 52 % 0f respondent agreed. The result shows as the numbers of loan are classified properly that is so confidence by the bank credit categorizing.

Based on the result most of the respondents 52 % agreed that The banks consider and documented in credit granting the adequacy an enforceability of collateral or guaranty under various scenarios.

Most of the respondents 50 % agreed The results indicates that is satisfactory during fulfilling the customer but there are serious complain by the customers on processing of loan so that, the managers should check the credit services. Most of the respondents 52 % agreed that There is a good product diversification of development on the banks increasing the level of credit products there is increasing of customers uses of on by AB Different by other banks and competitor through the banking industry's. Based on the last sub-construct, most of the respondents about 54 % agreed that Loan is processed and approved timely.

4.3.4. BANK CREDIT COLLECTION

Table 1. 6 respondents of bank credit collection

There are some roles of banking sector in credit collection such as, letter of credit, Project Financing, leases financing, etc. Bank is the authorized organization which can store and transact money.

The credit developments in banking sector make transaction activities much economic development and cheaper for customers. Banking in Ethiopia faces numerous challenges to fully address all types of credit.

NO	DESCRIPTIONS	Respondents opinion	Frequency	percent
1.	The practical loan collection processing activates of the department offices comply with the bank credit policy and procedures	Strongly disagree	-	-
		Disagree	1	2.0
		Neutral	4	8.0
		Agree	26	52.0
		Strongly agree	19	38.0
2.	The bank use numerical method to credit collection	Strongly disagree	-	-
		Disagree	1	2.0
		Neutral	4	8.0
		Agree	26	52.0
		Strongly agree	19	38.0
3.	Criminal activities (fraud, theft, and property damage) affected the bank risk management practice	Strongly disagree	-	-
		Disagree	1	2.0
		Neutral	4	8.0
		Agree	25	50.0
		Strongly agree	20	40.0
4.	The size of loan that affects the loan repayment performance of the borrower	Strongly disagree	-	-
		Disagree	1	2.0
		Neutral	4	8.0

		Agree	26	52.0
		Strongly agree	19	38.0
5.	The existing credit control enables to classify loans based on their on weakness level	Strongly disagree	-	-
		Disagree	1	2.0
		Neutral	4	8.0
		Agree	27	54.0
		Strongly agree	18	36.0

Source: own research survey, 2024

Based on the above table 1.8 most of the respondents 52 % agreed that the practical loan collection processing activates of the department offices comply with the bank credit policy and procedures.

Based on the result most of the respondents 52 % agreed the result indications bank has different credit collection mechanisms, that increasing level of profitability. Most of the respondents 50 % agreed that Criminal activities (fraud, theft, and property damage) affected the bank risk management practice. Most of the respondents 52 % agreed that the size of loan that affects the loan repayment performance of the borrower. Based on the last sub-construct, most of the respondents about 54 % agreed that that indicates to credit control mechanisms are supports the credit collection and credit risk management process, a few errors (gaps) in there essay decision make it's solved. For examples changes the credit control strategies based on the credit level and the credit behaviors.

4.3.5. BANK CREDIT MONITORY

Table 1. 7 Respondents of bank credit monitory

Even though there are many challenges to monitoring the customer's outstanding balances, there are many regulations that minimizing the credit monitoring process that affect effective implementation and process. The issues raised here in under the credit collection process are relative disadvantages that hinder banking industries from development of credit provision.

NO	DESCRIPTIONS	Respondents opinion	Frequency	percent
1.	The bank frequently contact with borrower's	Strongly disagree	-	-
		Disagree	1	2.0
		Neutral	4	8.0
		Agree	27	54.0
		Strongly agree	18	36.0
2.	Monitors the flow of business through the bank account	Strongly disagree	-	-
		Disagree	1	2.0
		Neutral	4	8.0
		Agree	26	52.0
		Strongly agree	19	38.0
3.	Update borrowers credit file and periodically reviewing the borrowers rating assigning the time the credit was granted	Strongly disagree	-	-
		Disagree	1	2.0
		Neutral	4	8.0
		Agree	26	52.0
		Strongly agree	19	38.0
4.	The bank regularly review the borrowers report as well as an onsite visit	Strongly disagree	-	-
		Disagree	1	2.0
		Neutral	4	8.0
		Agree	26	52.0
		Strongly agree	19	38.0
5.	The bank monitors the allocation of the loan to the future purpose and its progress.	Strongly disagree	-	-
		Disagree	4	8.0
		Neutral	4	8.0
		Agree	25	50.0
		Strongly agree	17	34.0

Source: own research survey, 2024

Based on the above table 1.8 most of the respondents 54 % agreed that with the idea that more credit contact with customers, that supports the bank trust full with customer repayment of credit and minimizing the credit risk. Based on the result most of the respondents 52 % agreed that monitors the flow of business through the bank account and also the customer fear of risk to use Credit monitoring by using their account balance.

The respondents 52 % agreed Update borrower's credit file and periodically reviewing the borrowers rating assigning the time the credit was granted. Most of the respondents 52 % agreed that The bank regularly review the borrowers report as well as an onsite visit. Based on the last sub-construct, most of the respondents about 50 % agreed that the bank monitors the allocation of the loan to the future purpose and its progress.

In the above results the banks credit risk monitoring strategies are good woks flow. The works strategy that benchmarks to other industry to makes more profitability and rearrangement of the receivables or credit monitory systems. Good supervision and monitoring process makes all the difference and continuous improvement. This can be a walk around the borrower's premises to check for common problems. Insufficient support is often a harbinger of financial difficulties.

4.3.6. MEASURENTS OF BANK CREDIT MANAGEMENT PERFORMANCE

Table 1. 8 Respondents of measures of bank credit management performance

NO	DESCRIPTIONS	Respondents opinion	Frequency	percent	Cumulative Percent
1.	Identified ways of loan collection in the bank.	Strongly disagree	-	-	-
		Disagree	1	2.0	2.0
		Neutral	4	8.0	10.0
		Agree	26	52.0	62.0
		Strongly agree	19	38.0	100.0
2.	The bank pursues different ways to solve credit supply risks	Strongly disagree	-	-	-
		Disagree	1	2.0	2.0
		Neutral	4	8.0	10.0
		Agree	26	52.0	62.0
		Strongly agree	19	38.0	100.0
3.	There is an open and clear way in reporting problems and challenges	Strongly disagree	-	-	-
		Disagree	1	2.0	2.0
		Neutral	4	8.0	10.0
		Agree	25	50.0	60.0
		Strongly agree	20	40.0	100.0
4.	The management inspires, encourage and motivate employees in achieving the required objective	Strongly disagree	-	-	-
		Disagree	1	2.0	2.0
		Neutral	4	8.0	10.0
		Agree	26	52.0	62.0
		Strongly agree	19	38.0	100.0
5.	There is up keeping system in giving solution for	Strongly disagree	-	-	-
		Disagree	1	2.0	2.0
		Neutral	4	8.0	10.0
		Agree	27	54.0	64.0

	problems and challenges encountered	Strongly agree	18	36.0	100.0

Source: own research survey, 2024

CHAPTER FIVE

5. SUMMARY, FINDINGS, CONCLUSION AND RECOMMENDATION

5.1. SUMMARY

This chapter the summary of findings, conclusion drawn and the recommendations made by the researcher this study was based on the results of the data gathered from the respondents questionnaires. An analysis of the content was done with the use of the statistical tools as weighted mean and Pearson r correlation. This study aims was to An Assessment of Assignment of Credit Risk Management Practice; The Case of Awash Bank Addis Ababa and To minimize risks.

FINDINGS

The findings of the study were arranged according to the statement of the problems

The bank has well documented credit risk management policy that elaborate product offered that have to be performed manage the credit. The credit risk policy and procedure meet NBE's policy and procedures. These policies are exactly complying with regulations of national bank.

In ensuring the existence of proper and clear guidelines in managing credit, the top managements support is less and needs to be improved. However, the reliable information is collected from prospective borrowers in accomplishing effective screening. Bank has high quality staff with required depth of knowledge

These policies are exactly complying with regulations of national bank. The practical loan processing and appraisal activities of the department offices comply with the bank credit policy and procedures and the credit environment is well-established. The bank also has a proper credit administration that involves monitoring process as well as adequate control over credit is maintained. In ensuring the existence of appropriate and clear guidelines in managing credit, the top managements support is less and needs to be improved. However, the reliable information is collected from prospective borrowers in accomplishing effective screening. Bank has high quality staff with required depth of knowledge there is inconsistency in properly communicating guidelines in the organization and in qualifying everyone involved in credit risk management understands them.

Other key findings of the study are. The bank has well documented credit risk management policy that elaborate product offered that have to be performed manage the credit. The credit risk policy and procedure meet NBE's policy and procedures. There top management support to ensure that there are clear guideline in managing credit. The bank gives continuous training for employee on credit policy procedures.

Credit risk management policy and procedures of implementation in the bank, the employee's familiarity with the policy and procedures and their benefits, and managerial skills in implementation and development of risk management process are considered as organizational.

The organization lacks consistency in effectively communicating guidelines related to credit risk management and ensuring that all individuals involved comprehend and comply with them.

Bank credit collection manual is simply available to work. Reliable information is collection from prospective borrowers in accomplished effective screening. The bank has high quality staff with required of depth knowledge. Credit approval made in accordance with the bank written guideline. Borrowers credit information sensitively to economic and market development especially for major exposure. The banks consider and document in credit granting the current risk profile.

In order to facilitate efficient screening processes and obtain dependable information from potential borrowers, measures must be taken to ensure the reliability of the data gathered. The financial institution possesses a workforce comprising of personnel of high caliber exhibiting the requisite level of proficiency.

Loan are regularly reviewed and classified in a manner appropriately reflect credit risk. The banks consider and documented in credit granting the adequacy an enforceability of collateral or guaranty under various scenarios. Credit service makes complain during loan processing. The banks are working on increasing the loan size by designing (developing) and offering new loan products. Loan is processed and approved timely. The banks are risk taking enough to reach large

The loan processing activity is excessively rigid. However, there exists a dire need to address the timely delivery of loans to customers. To this end, top management has initiated urgent discussions.

The practical loan collection processing activates of the department offices comply with the bank credit policy and procedures. The bank use numerical method to credit collection. Criminal activities (fraud, theft, and property damage) affected the bank risk management practice. The size of loan that affects the loan repayment performance of the borrower. The existing credit control enables to classify loans based on their on weakness level. Credit control activity of the bank is sufficient to prevent credit risk.

The aforementioned reveals that credit control mechanisms serve to facilitate credit collection and credit risk management procedures. Not with standing, certain imperfections or discrepancies in the decision-making process should be rectified.

The bank frequently contact with borrowers. Monitors the flow of business through the bank account. Update borrower's credit file and periodically reviewing the borrowers rating assigning the time the credit was granted. The bank regularly reviews the borrowers report as well as an onsite visit. The bank monitors the allocation of the loan to the future purpose and its progress. Monitoring result communicate to credit performance for further action.

The previous outcomes indicate that the credit risk monitoring techniques employed by the banks are effective and efficient in their operations. The plan involves comparing the company's practices with those in other industries in order to improve profitability and reorganize credit monitoring and accounts receivable processes.

The practical loan processing and appraisal activities of the department offices comply with the bank credit policy and procedures and the credit environment is well-established. The bank also has a proper credit administration that involves monitoring process as well as adequate control over credit is maintained.

In ensuring the existence of proper and clear guidelines in managing credit, the top managements support is less and needs to be improved. However, the reliable information is collected from prospective borrowers in accomplishing effective screening. Bank has high quality staff with required depth of knowledge there is inconsistency in properly communicating guidelines in the organization and in qualifying everyone involved in credit risk management understands them.

5.2. CONCLUSION

Based on the finding of the study the following conclusion was made:

The study uses descriptive research and findings from the quantitative data collected from self-administered questionnaires. From the demographic profile of the respondents

- ✓ Most of the respondents were male.
- ✓ Most of the respondents were within the age category of 31-40 years' old.
- ✓ Most of the respondents were diploma holders in their educational level.

Credit risk management is a very important area for the banking sector and there are wide prospects of growth. Also, banking professionals have to maintain a balance between the risks and the returns. Giving loans is a risky affair for bank sometimes and certain risks may also come when banks offer securities and other forms of investments. Credit risk management must play its role in managing the risks in various securities and derivatives. Still progress has to be made for analyzing the credits and determining the probability of defaults and risks of losses. So credit risk management becomes a very important tool for the survival of banks.

- ✓ Better credit risk management results in better bank performance. Thus, it is very importance that banks practice prudent credit risk management and safeguarding the assets of the banks and protect the investors' interests. The following conclusions are drawn:
- ✓ The findings of the study indicate that AB has laid down policies to refer to in identifying credit risk and therefore, has clear-cut methods for identification. The research findings also show that there is poor communication to the loan personnel this can affecting its portfolios to the largest extent. The study concluded that bank used different credit risk management tools, techniques and Assessment models to manage its credit risk, and that has one main objective, i.e. to reduce the Amount of loan default, which is the principal cause of bank failures.
- ✓ The weaknesses in credit creation and procedure which most of the employees have agreed they don't have uniform knowledge on the credit risk management this implies that the bank needs awareness for its staffs about bank's policies and procedures of credit manuals due to this fact made subjective decision making by credit personnel's of the banks also had contributed for weak the credit risk management might adversely affect loan growth

and client reputation. The study also reveals that banks with good or sound credit risk management policies.

- ✓ The findings of the study lack of coordination among the lending staffs with the procedures, failure of due diligence and independent monitoring are the major reasons given by the bank for the frequency of the credit risk occurrence. Thus, the research finding indicated that the extent of use of credit risk monitoring methods is quite low

Based on the interview analysis,

5.3. RECOMMENDATION

Based on the finding the following recommendations were made:

Based on the findings and conclusions of the study, the following recommendations are forwarded which are aimed at improving the credit management of the bank. Noting the importance, attractive, convenient and flexible credit policy and procedure, in assisting loan creation and growth, the Bank's top management need to periodically revise its credit policy and procedure incorporating the feedback of clients and employees in order to decrease the un collectable loan percentage. In ensuring the existence of proper and clear guidelines in managing credit, the top managements support is less and needs to be improved. As a result, the top management should support other staffs regarding proper and clear guidelines management

Based on the research suggest that modernization on new ways of dealing with borrowers is necessary for banks to be able to recover their money; and Awash Bank need to develop based on customers behaviors; strengthen its loan management process especially in monitoring its borrowers and probably come up with new ways of monitoring them.

- The company should better use internet marketing to communicate and create relations with the customers. This would attract new customers and retain existing customers
- Measure and follow up methods highly affects performance and the bank has to give a greater attention to measuring and follow up of strategy implementation.
- The company has to develop a monitoring and controlling system and has to regularly control the strategy implementation process.
- There should be a reporting system of difficulties and challenges during strategy implementation, so that problems can be addressed and solutions can be given.

- Organizational structure of the case bank has to fill the communication gap from top to bottom and across departments so that all executors of strategy top middle or lower have uniform understanding and work towards the objectives of risk management.
- Clearly outlined operational implementation plans have to be formulated at each one of departments that clearly explain specific objectives and their daily operation.

SUGGESTIONS FOR FUTURE RESEARCH

The result of this research work will make available a platform for several future study effort. In this study, only awash bank was taken into consideration. So, it is recommended to conduct similar study and examine the assessment of risk management practices using large enterprises of the same sector. Additionally, for a better and accurate generalization, it is also recommendable to examine the research model of this study in other sectors with special concern on the context of Ethiopia.

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APPENDIX ONE; QUESTIONNAIRE

QUESTIONNAIRE TO BE FILLED BY AWASH BANK EMPLOYEES

Your response will be kept highly confidential and used only for this academic research.

DEAR RESPONDENTS

This research is conducting Master Of Science In Accounting And Finance at St, Mary University under the title An Assessment of Assignment of Credit Risk Management Practice; The Case of Awash Bank Addis Ababa.

Therefore, your participation in giving reliable information has a vital contribution for the success of this study. So, I respectfully request your kind cooperation in answering the questions as clearly and genuinely as possible. I would like to assure you that the information you provide will be used for research purpose only and your response will be kept highly confidential and used only for this academic research. Should you have any question or concern.

Please contact me at 09-40-25-42-51

Finally I would like to express my appreciation for your time, patience and diligence in responding to this questionnaire and for allowing me to fulfill my objectives.

NOTE

- Please don't write your name.
- Please answer by putting **"✓"** mark on the box with point which highly reflects your idea parallel to your choice.

Sincerely

Nebiyou Shewangzaw

Email; shewangzawnebiyou@gmail.com

PART ONE; DEMOGRAPHIC INFORMATION

1. Gender Male ( ) Female ( )
2. In which age group are you?

   21-30 ( ) 31-40 ( ) 41-50 ( ) 51& above ( )
3. What is your current Educational Qualification?

   12 complete ( ) Diploma ( ) first Degree ( ) Master's ( ) PhD ( )
4. What is your Service year in awash bank?

   Less than 3 years ( ) 3 to 5 years ( ) 6 to 8 years ( ) more than 8 years ( )

PART TWO: POINTS ABOUT CREDIT RISK MANAGEMENT PRACTICES

Accordingly, you are kindly requested to indicate your general level of agreement on the risk management at your bank.

INSTRUCTION TWO; Please indicate your appropriate answer by making (√) mark based on the following rating.

1= strongly disagree 2=Disagree 3=Neutral 4=Agree 5=strongly agree

SECTION ONE; CREDIT RISK MANAGEMENT POLICIES AND PROCEDURES

NO	DESCRIPTIONS	RATING SCALE				
		1	2	3	4	5
1.	All credit risk management guideline are properly communicated all employees working on credit.					
2.	The bank has well documented credit risk management policy that elaborate product offered that have to be performed manage the credit.					
3.	The credit risk policy and procedure meet NBE's policy and procedures.					
4.	There top management support to ensure that there are clear guideline in managing credit .					
5.	The bank gives continuous training for employee on credit policy procedures.					

SECTION TWO; BANK CREDIT APPLICATION HANDING

NO	DESCRIPTIONS	RATING SCALE				
		1	2	3	4	5
1.	Bank credit collection manual is simply available to work					
2.	Reliable information is collection from prospective borrower's in accomplished effective screening					
3.	The bank has high quality staff with required of depth knowledge					
4.	Credit approval made in accordance with the bank written guideline					
5.	Borrowers Credit information sensitively to economic and market development especially for major exposure					

SECTION THREE; BANK CREDIT PROVISION

NO	DESCRIPTIONS	RATING SCALE				
		1	2	3	4	5
1.	Loan are regularly reviewed and classified in a manner appropriately reflect credit risk					
2.	The banks consider and documented in credit granting the adequacy an enforceability of collateral or guaranty under various scenarios.					
3.	Credit service make complain during loan processing					
4.	The bank are working on increasing the loan size by designing (developing) and offering new loan products.					
5.	Loan is processed and approved timely					

SECTION FOUR; BANK CREDIT COLLECTION

NO	DESCRIPTIONS	RATING SCALE				
		1	2	3	4	5
1.	The practical loan collection processing activates of the department offices comply with the bank credit policy and procedures					
2.	The bank use numerical method to credit collection					
3.	Criminal activities (fraud, theft, and property damage) affected the bank risk management practice					
4.	The size of loan that affects the loan repayment performance of the borrower					
5.	The existing credit control enables to classify loans based on their on weakness level					

SECTION FIVE; BANK CREDIT MONITORY

NO	DESCRIPTIONS	RATING SCALE				
		1	2	3	4	5
1.	The bank frequently contact with borrower's					
2.	Monitors the flow of business through the bank account					
3.	Update borrowers credit file and periodically reviewing the borrowers rating assigning the time the credit was granted					
4.	The bank regularly review the borrowers report as well as an onsite visit					
5.	The bank monitors the allocation of the loan to the future purpose and its progress.					

PART THREE; MEASURENTS OF BANK CREDIT MANAGEMENT PERFORMANCE

NO	MEASUREMENT ITEMS	RATING SCALE				
		1	2	3	4	5
1.	Identified ways of loan collection in the bank.					
2.	The bank pursues different ways to solve credit supply risks					
3.	There is an open and clear way in reporting problems and challenges					
4.	The management inspires, encourage and motivate employees in achieving the required objective					
5.	There is up keeping system in giving solution for problems and challenges encountered					

Please specify any additional challenges the bank encounter during implementation.

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APPENDIX TWO;INTERVIEW QUESTIONS

1) **What are the possible and better mechanisms that the bank can use to improve the credit risk management?**
2) **Do you think the credit risk management practices are effective at the bank? Please reason out why/why not?**
3) **Is there any advice for credit application handling?**
4) **What is the challenge? Credit application handling process?**
5) **What do you suggest to your bank for credit provision or an option for customers?**
6) **The bank uses a credit collection process is effective to handing the credit?**
7) **Is there any mechanism's to avoid bad debt?**
8) **What are the credit recovery procedures?**
9) **what are challenging part of credit management process give the example explain?**