ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

ASSESSMENT OF CREDIT MANAGEMENT AND COLLECTION POLICY IN THE CASE OF BERHAN INTERNATIONAL BANK S. C

BY

KIROS TEGENEGNE MEKONENNEN

JUNE 2018

ADDIS ABABA, ETHIOPIA

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A Thesis Submitted to St. Mary's University, School of Graduate Studies in Partial Fulfillment of the Requirements for the Masters of Art Degree in Master of Business Administration in General Management

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DECLARATION

I, the undersigned, declared that this Thesis is my original work; prepared under the guidance of **Simon Tarekegn (Ass. Professor)**. All the sources of materials used for this thesis have dully acknowledged. I further confirmed that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

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Advisor Signature

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ABRIVATIONS AND ACRONMS

AAE	Accounting Association of Ethiopia
ADB	Agricultural Development Bank
ACCUP	Advanced Certificate in Credit Union Practice
BIB	Berihan International Bank
CUS	Credit Union Studies
FDRE	Federal Democratic Republic of Ethiopia
ILCU	Irish Language of Credit Union
NBE	National Bank of Ethiopia
NPL	Nonperforming Loan
MBA	Master of Business Administration
LAF	Loan Approve Form
LT	Letter of Credit
RAAC	Risk Assessment Acceptance of Criteria
BRD	Rewanda Development Bank
S.C	Share Company
SPSS	Statistical Packages for the Social Sciences
SUM	Saint Mary's University
ST.	Saint
QFA	Qualified Financial Advisor

ABSTRACT

This research has disclosed the study on assessment of credit management and collection policy in case of Berhan international bank S.C. The main intention of the Study is to examine customer's satisfaction with credit amount and term approved, and collection techniques, critically evaluate the credit accessibility with various applicants' credit requisition purpose, to assess credit officer's job satisfaction, credit analysts and credit monitors competency with the needed credit management know-how. The study was conducted by using descriptive type of research; descriptive research has included surveys and fact-finding enquiries of different kinds depend on the study credit management department respondents were selected into a sample population by judgmental or purposive sampling from the population of employees due to the specific needs of the topic which required people who were directly involved in the credit administration and procedures of the bank. The researcher has used Non- probability sampling method specifically convenience sampling method. The result of the study refers most number of bank's borrowers were dissatisfied in connection with credit amount and its term approved. The collateral estimation is also very low compared to the real market value of the collateral. A rigid credit policy and week analysis which will take for long period is other factor for credit customer dissatisfaction. The bank should use qualified and experienced work forces to enhances competence, even if its majority of employees are degree holders and highly experienced, the company should do more to enables the bank to accelerate its service delivery and become competitive in the growing stiff competitive industry right now; to meet its vision “"To be the radiant and trustworthiness bank in excellence". Based on the finding the researcher also provides some remedial actions such as the banks credit process should be flexible, review its credit policy and procedure, provide training program in the form of regular, formal and continual basis for its staffs on credit related issues, alongside with the usual collection techniques critical issues should be incorporated as rely on a single source of information.

***Key Words**: credit management, collection policy, Berhan international bank, and Share Company*

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

Credit, in commerce and finance, is a term used to denote transactions involving the transfer of money or other property on promise of repayment, usually at a fixed future date. The transferor thereby becomes a creditor, and the transferee, a debtor; hence, credit and debt are simply terms describing the same operation viewed from opposite standpoints (Donald L. 2008). Credit management is one of the most essential activities in any company and cannot be neglect by any entity involved in the supply of credit lines no matter the nature of its business. It is the mechanism to ensure that customers will pay for the products delivered or the services rendered.

With thus, the researcher has motivated to assess credit management and collection policy of the bank; which is called Berhan international bank S.C and it is one of the new entrant to the banking industry as a commercial bank established for the provision of diversified and efficient banking services both in the urban and sub-urban areas of the country through the Vision of "To be *radiant and trustworthiness bank in excellen*t";the bank engaged in banking service in accordance with the banking business proclamation number 592/2008 and it has commenced operation as of October 01, 2009 after receiving banking licensed on June 01, 2009 by national bank of Ethiopia based on the references Bank's Annual Report of the same year mentioned in the above and the bank starts with paid up capital of birr 300 million authorized and subscribed capital. At present, the company reached its paid-up capital and subscription fee with Birr 1.9 billion as of June 30, 2017 annual report of the bank by exceeding the preceding years performance with growth rate of 77.8% and expand its branches with more than 170 within and out of Addis Ababa (Bank's Annual Report, 2016/17).

From the history of the bank, what thing to understand is that banking is the backbone of a business; now a day without banking service business activity is impossible and unthinkable. Since banks play a great role nationally and internationally regardless of the level of their growth, and one of the banking service is credit granting and collecting which is the most important aspect and necessary for achieving, individual, group, and organizational performance; aligning with this, there were financial organizations providing banking services known as bank.

According to Brick (2006), banks perform a very important service to all sectors of the economy by providing facilities for the pooling of savings and making them available for economically and socially desirable purposes. This is beneficial to their customers since they are rewarded by the payment of the interest on their savings, which are safe and in a highly liquid form. The main function of banks is to receive deposits from individuals who have savings; these deposits are kept in various types of accounts opened in the bank. Then, credit fund from those deposits to those in needs and charges interest. According to John (1985), specifies that the functions of commercial banks are: creation of money, payment mechanism, pooling of saving, extension of credits, financing of foreign trade, trust service, safekeeping of variables and brokerage services.

This transformation from supply to demand side is not without risk. Banks are exposed to credit, market, operational, interest rate and liquidity risk. So the appropriate management of these risks is a key issue to reduce the earnings risk of the bank, and to reduce the risk that the bank becomes insolvent and that depositors cannot be refunded (Bart and Tony, 2009). Credit, in commerce and finance, is a term used to denote transactions involving the transfer of money or other property on promise of repayment, usually at a fixed future date. The transferor thereby becomes a creditor, and the transferee, a debtor; hence credit and debt are simply terms describing the same operation viewed from opposite standpoints (Donald 2008).

According to Myers and Brealey (2003), consider it to be made up of techniques and strategies used by an enterprise to ensure that an optimal level of credit and its effective management are kept. This is one aspect of monetary administration including credit examination, credit assessment, and credit scoring and credit reports. According to Nelson (2002), considers credit management as apparently the way by which an enterprise superintends over its credit sales in a manner that creates greater opportunities for making higher profits. This is a prerequisite for any business engaged in provision of lines of credit since it is not possible to completely eliminate credit risk default. To stay profitable, examiners of the bank's credit should encourage establishment and maintenance of written, up-to date lending policies, which had approved by the board of directors. A bank's lending policy should not be a static document, but must be reviewed periodically and revised in light of changing circumstances surrounding the borrowing needs of the bank's customers as well as changes that may occur within the bank itself. These lending policies are designed to serve only as guidelines for areas needing consideration in overall policy evaluation (Rwanda Development Bank 26/06/2013).

According to Gibson (2006), credit management should maintain a written credit review policy that is reviewed and approved at least annually by the board of directors policy guideline should include a written description of the overall credit grading process and establish responsibilities for the various loan review function. The sources and causes of credit problems cover a multitude of mistakes a bank may permit a borrower to make as well as mistakes directly attributable to weaknesses in the bank's credit administration and management. Some well-constructed loans may develop problems due to unforeseen circumstances on the part of the borrower; however, bank management must endeavor to protect a credit by every means possible in order to preserve it performance.

Thus, the researcher observes and initiates to pave Ethiopian banking stake-holders and other researchers, ways of making available in flexible, variety and secured credit service to missed medium and low level business and non- business social classes.

1.2 Statement of the Problem

Banks are firms that efficiently endow with a wide range of financial services for profit. Not surprising, banks have a significant role in the economy and the society as a whole. Their middle role is to make the community's excess of deposits and investments useful by lending it to people for various investment purposes: company growth, education, houses (Bart and Tony, 2009). Credit risk arises whenever a lender is exposed to loss from a borrower, or counterparty who fails to honor their contracted debt obligation, as agreed, in a timely manner. For lenders who extend credit in the form of loans, credit risk is inherent in all their business activities and is an element in virtually every product and service that is provided, (JoEtta, 2007).

This management was not straightforward as it is involves detailed and elaborate analysis of the documentation provided by the applicants and their collaterals. Mismanagement of bank resources would be resulted in huge non-performing asset. Lending policies would also have been determined the future of a country's economy as they channel funds to productive investment alternative. Therefore, there was a needed of an effective credit management an collection policy where finances should be very well managed to minimize potential risks that may affect the bank's performance. According to Augusto (2003), lending policies should be clearly defined set forth in such a manner as to provide effective supervision by the directors and senior officers; in as much as board of director of every bank has the legal responsibility to formulate lending policies and to supervise their implementation. Credit management and collection policy could be seen as an integral part of lending and as such in its absence, good loans can turn bad. It is expedient to note that the importance of credit management could not be over-emphasized and good credit management requires the establishment of adherence to and of sound and efficient credit policies of government (Agu, Osmond, and Basil, 2013, p.19).

The major concern of the study is to find out if credit management and collection policy is effective in Berhan international bank S.C through some indicators that are to evaluate the availability of flexible rules, variety and secured credit service with the intention of most advantageous or acceptable credit management and collection policy, highlighting the role played by credit management on the stated performance and prescribes the best management and collections to ensure prudent conduct in the operations of the banks " credit granting activities".

Alongside to this**,** The researcher has identified the concept of research gap entitled with credit management and collection policy in which most of the researchers and journalists see the risk of nonperforming loan (NPL); under the reference of the work of Tekeste (2016), at St. Mary's University on assessment of credit management performance in emerging banks and Hagos (2010) at Mekele University on NPL in case of Wegagen bank respectively, Depending on those issues, the researcher has shifted to see another extreme on assessment of credit management and collection policy from customer satisfaction perspectives interims of time it takes from customer's credit application to credit successfully approval or declines with sufficient reasons, credit amount and term or duration approved with customer requisition, credit officers or credit analysts competency and variety of credit facility and its accessibility with various applicants credit requisition purpose at Berhan International Bank S.C and the result should be forwarded to other private commercial banks of Ethiopia.

1.3 Basic Research Questions

- Are credit employee's competencies adequate to effectively execute and facilitate banks credit products?
- What are the procedures the bank follows to grant credit to its customers?
- What are the major challenges of credit management and collection policy the bank faces?
- What are the strategies used to speed up credit collection in the bank?
- What are the extent of customer satisfaction comparing with credit amount and term approved?
- What are the major factors influencing access to credit to various applicants' as per their request in the bank?

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of the study is to assess credit management and collection policy in the case of Berhan international bank S.C in Addis Ababa.

1.4.2 Specific Objective

The specific objectives are to:-

- To evaluate the criteria used by the bank to grant credit.
- To investigate the major factors that influenced the bank to credit management and collection policy
- To assess credit collection techniques used by the bank.
- To examine customer's satisfaction with credit amount and term approved.
- To critically evaluate credit accessibility with various applicants' credit requisition purpose.

- To assess credit officers, credit analysts and credit monitors competency with the needed credit management expertise.

1.5 Significance of the Study

The main substance of the study is to investigate how credit management and collection policy is contributing to the bank success and bring a solution to the existing problems in the bank. This study has a great contribution to the existing knowledge in the area of customer satisfaction through credit service, credit employee's competencies, and to provide supportive and constructive thoughts. As per the researcher point of view and beliefs it will assure that even if it cannot bring a complete change and absolute solution to the problem, it will at least pave the way for further investigation required.

Finally, the major beneficiaries from this study will be commercial banks in Ethiopia, regulatory bodies, policy makers and the future researchers in the same or related areas.

1.6 Scope of the Study

Specifically the study was focused on Berhan international bank S.C concerning about credit granting and collection policy in its content at head office and ten branches found in Addis Ababa. regardless of the fact that credit management and collection policy are broad by those nature, the study would be covered the assessment of credit management and collection policy from perspective of customers and employees satisfaction through credit employees competency, accessibilities of banks credit facility, and poor collection techniques of credit in the bank.

Bearing in mind, the time constraint to occur and its geographical scattering throughout the country and many branches, uniformity of the appraisal format, homogeneity characterizes of banks credit customers; the data collection for the research had been surrounded to the head office and ten branches of the bank in Addis Ababa.

1.7 Limitation of the Study

Budgetary expenses covering the printing, journeying to meet respondents and assistance was demanding. The researcher was attempted to decrease expenses, which might not have had a noteworthy effect on the study. Feedback from staff respondents also another constraint due to lack of time, resulting in the case of unanswered and semi-answered questionnaires. Most of the respondents were interrupted their work in order to provide answers to the questionnaires making it a challenge.

1.8 Organization of the Research

The first chapter has provided the general introduction about the whole report; the second chapter has presented the review of related literatures; the third chapters has made available and detail description of the methodology strived by the researcher; the fourth chapter had contained data analysis presentation and interpretation with finding of the study, and finally the last fifth chapter has concluded the total work of the research and has a given relevant recommendations based on the finding.

CHAPTER TWO

REVIEW OF LITERATURE

2. Theoretical Framework of the Study

2.1 Introduction

This chapter deals with various credits management and collection policies of the banks. In addition the researcher discussed various theoretical and empirical studies thoughts and ideas from different sources has linked together to formulate a meaningful and magnificent material. Empirical studies about credit management and collection policy will be developed in this chapter and finally, the summary of the literature review has drawn.

2.1.1 Definition of Term

According to Jhibagan (2002), the term, **credit** come and originated from "Latin" word known as "**creditum**" it can be defined in terms of different way of believe and trust; and has its own meaning in three different perspectives: - in the first case it links with accounting point of views; it is an entry on the right hand side of an account recorded in double entry; it has the effect of decreasing an asset or expenses account, or of increasing a capital, liability or revenues etc. In the second perspective it depends on banking views; it is the purchasing power created by banks through lending based on financial reserve system; and the last third point of view concerned about commerce which has strongly attached through credit accesses, credit process, credit approval, letter of credit, credit payment, and credit officer's skills and customers satisfactions as well.

Another definition of credit term is also come from the Latin word "Credo" meaning 'I believe'. So credit means a matter of believing (faith) in the person and no less than the security offered, credit is purchasing power not derived from income, financial institutions make it by either as an offset to idle incomes holdup by the banks to deposit or as a net addition to the total amount of purchasing power, because no economic development without it; it is the life blood of the modern business and commercial system (Cole, 2000).

2.1.2 Types of Credit

Based on the length of time, the credit is outstanding, credit can be classified in to three categories:-Short term, Medium term Long terms; credit transaction on the basis of whether or not the lender received collateral security, they can be classified as secured and unsecured credit; in referring to Clemens and dyer (1977) cited in Kokeb (2010) on her study, secured credit is guaranteed by collateral in equal items of value instead of the amount of credit, like car, home, cash deposit. It means that the secondary source of payment and it is recommended to be more than 75% of the bank's credit. Credit should not be granted based on the value of the collateral without a clear indication of stable primary sources of repayment. According to Westerfield (1993), unsecured loan means that it may be granted to customers with establishment of characteristics of ability to repay; and the purpose of the credit and sources of repayment must be understood. General, the unsecured credit should not be greater than 25% of the net worth.

2.1.3 National Bank of Ethiopia

The starring role of national bank of Ethiopia is the reserve or central bank of Ethiopia for all private and public banks in Ethiopia. Besides licensing and supervising banks, making policy, directive banks, insurers and other financial institutions as nurtures a healthy financial system and undertakes other correlated activities that are conducive to rapid economic development of Ethiopia (Proclamation No.592/2008, FDRE, 2008). In lining with this all public banks, private banks may not provide any credit, loans and advance, letter of credit (LT) agreement for the import-export purpose and other privileges' without the consent of the national bank of Ethiopia.

2.1.4 Borrower

The borrower is a person or a firm who borrows money from the lender, and to obtain or receive money on loan with the promise or understanding that will to repay with accordance of NBE proclamation number (3.7 directives No. SBB/53//2012).

2.1.5 Lender

A person or any legal entity has an authorized and capacity to grant a provision/ money to the deficit units with accordance of the national bank of Ethiopian code of conduct under article number (2.6 of NBE directives, SBB/52//12).

2.1.6 Credit Risk

It is the risk that a financial contract will not be concluded according to the agreement. It is the risk that the counterparty to an asset will default. Credit, in commerce and finance, is a term used to denote transactions involving the transfer of money or other property on promise of repayment, usually at a fixed future date. The transferor thereby becomes a creditor, and the transferee, a debtor; hence credit and debt are simply terms describing the same operation viewed from opposite standpoints (Donald, 2008). According to Donald (2009), the principal classes of credit are as follows:-

A. **Mercantile or commercial credit**, which merchants extend to one another to finance production and distribution of goods;

B. **Investment credit,** used by business firms to finance the acquisition of plant and equipment and represented by corporate bonds, long-term notes, and other proofs of indebtedness;

C. **Bank credit**, consisting of deposits, loans, and discounts of depository institutions; Consumer or personal credit, which comprises advances made to individuals to enable them to meet expenses or to purchase, on a deferred-payment basis, goods or service for personal consumption

D. **Real-estate** credit, composed of loans secured by land and buildings

E. **Public or government credit,** represented by the bond issues of national, state, and municipal governments; and

F. **International credit**, which is extended to particular governments by other governments, by the nationals of foreign countries, or by international banking institutions, such as the international bank for reconstruction and development.

Without credit, the tremendous investments required for the development of the large-scale enterprise on which the high living standards of the Western would have been impossible. The use of credit also makes feasible the performance of the complex operations involved in modern business without the constant handling of money. Credit operations are carried out by means of documents known as credit instruments, which include bills of exchange, money orders, checks, drafts, promissory notes, and bonds. These instruments are usually negotiable; they may legally be transferred in the same way as money. When the party issuing the instrument desires to prevent its use by anyone other than the party to whom it is issued, he or she may do so by inscribing the words “not negotiable” on the instrument (Emanuel, 2012).

2.1.7 The Concepts of Credit Management

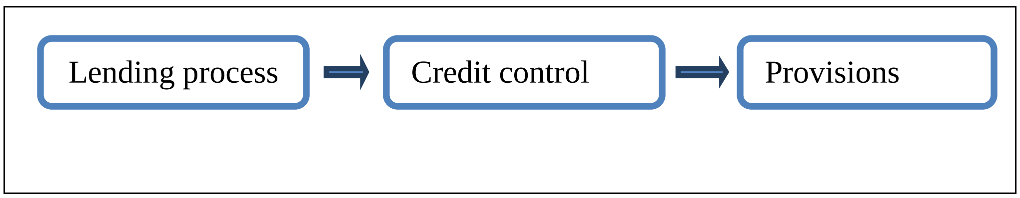
According to different scholars point of view denoted that credit management is implementing and maintaining a set of policies and procedures to minimize the amount of capital tied up in debtors and to minimize the exposure of the business to bad debts so that credit management from a debtor’s point of view is managing finances especially debts so as not to have a tail of creditors lurking behind your back. And credit management is a responsibility that both the debtor and the creditor should seriously take and When it functions efficiently, credit management serves as an excellent instrument for the business to remain financially stable (http://www.selfgrowth.com/articles/Tabije3.html).

According to Wise-geek (2010), and According to Jabatan (2001) accounts receivables essentially, this collection of processes involves qualifying the extension of credit to a customer, monitors the reception and logging of payments on outstanding invoices, the initiation of collection procedures, and the resolution of disputes or queries regarding charges on a customer invoice. When functioning efficiently, credit management serves as an excellent way for the business to remain financially stable. The process of credit management begins with accurately assessing the credit - worthiness of the customer base. This is particularly important if the company chooses to extend some type of credit line or revolving credit to certain customers.

2.1.8 Credit Management Process

Basu and Rolfes (1995) state that top-quality credit management processes are key components in the foundation upon which every successful financial establishment is built. Corroborating this, Oesterreichche National bank (2005) emphasized the importance of the individual stages in the process of credit management. Moreover this process takes many forms and exploits several structures (Basu and Rolfes, 1995). From extant studies emerge three key areas in which credit management is performed in Figure 2.1 below.

Figure 2.1: The Process of Credit Management



Source: Oesterreichche National bank (2005)

Besides, as the researcher referred so far, the poor quality of a credit is sometimes due to factors not attributable to the lending bank such as adverse selection and moral hazard or any other external shock that may alter the borrower's ability to repay the credit (Minsky, 1982 & 1985). Nevertheless, there are cases where the way banks grant and monitor credits can be responsible for the bad credit portfolio. In other terms, weak credit risk management systems can also be sources of problem loans (Nishimura and al, 2001). Significant details related to the credit management processes are revealed which attached in the above figure 2.1as bank's credit management processes that can be summarized in three main stages as follows:-Credit initiation, documentation and disbursement, and credit administration.

2.1.8.1 Credit Initiation

The credit initiation is a process that starts from a market analysis and ends at the credit application approval. The steps involved in credit initiation processes are listed below:

- **Surveys and industry studies**: Relationship Officers scan the market and economic sectors to identify key players and potential business for the Bank. In the same manner, industries with high potential of growth that can be good business for the Bank are also listed.

- **Risk Asset Acceptance Criteria (RAAC)**:- for each industry, criteria are designed to guide the relation with both industry and customers in order to limit the level of exposure at credit risk. Risk Asset Acceptance Criteria applied to industries include both quantitative and qualitative information such as net sales, net profit, years of experience in the business and the quality of corporate governance.

- **Prospect lists**: some prospects (companies and individual customers) identified as the main role players are short listed in accordance with the industry studies and the minimum risk criteria. This prospect list is ranked in order of preference.

- **Customer solicitation**: at that stage, although the primary source of target is the prospect list, the initiation of a credit comes either at the bank request in the frequent contact with existing customers or at the clients request if they have a need for financing.

- **Negotiation**: the relationship officer identifies the financing needs of the borrower and gathers background information such as the latest financial statements, project details, projections over the credit life. This information will allow the officer to check whether the risk is bearable by the bank and its compliance with the bank's targets.

- **Presentation**: the conformity of information given with the market and industry analysis is the reliability of the information once again verified by consulting other sources. A draft of the credit application (CA) is prepared in conformity with the GCPPM and the consideration of the market and industry analysis by the account officer based on information collected.

- **Credit committee approval**: a copy of that CA is submitted to each member of the credit committee. The members review and approve submission of the final CA.

- **Control and reporting requirements**: the final CA package is submitted to the credit committee with highlights on the credit exposures of the bank.

- **Advice to customers**: once the credit is approved, the customer is advised in writing with details concerning the terms and conditions and with the statement that the credit can be subject to review, modification or cancellation at the bank option.

2.1.8.2 Documentation and Disbursement

According to Armendariz and Labie (2011) the documentation and disbursement refers to the compliance of documents provided with the law applicable and the requirements of the bank's legal department. Documentation provided must satisfy the bank's legal department and afford maximum protection to the bank. The documentation is periodically reviewed to keep them in fine with ever-changing legal systems and practices. The legal department is consulted before making any compromises with the customer. Any amendments are done in consultancy with the legal department. Once the credit application satisfies all these conditions, a thorough analysis is done and if the application complies with the Bank's conditions, instruction is given to the credit administration for disbursement.

2.1.8.3 Credit Administration

The credit administration refers to the credit support, control systems and other practices necessary for the effective monitoring of credit risks taken by the bank. Some of the important points of the credit administration are:- Control of credit files, safekeeping of credit and documentation files, follow-ups for expirations of essential documents like CA's and insurance, control of credits and excesses over approved lines, monitoring of collateral inspections, site visits and customer calls, monitoring of repayments under term credits, and reporting portfolio is periodically reviewed to make sure that the names tiered is still complying with the risk acceptance criteria (Armendariz and Labie, 2011).

2.1.9 Barriers to Credit Management

According to Lang and Jagtiani (2010) conclude in their research on the failures of credit management that there is a prerequisite for an overhaul on competent internal control systems and a robust autonomous credit management function. Regarding credit unions, two major barriers emerge from extant literature. These are credit culture and education.

2.1.9.1 Credit Culture

Basu and Rolfes (1995) define credit culture as a structure of shared principles, viewpoints and credit related activities. They further inform that credit culture affects the practices of the financial institution concerning credit management; for example, the ethos of a financial institution advocates the type of lending conducted. Therefore Middle (2004) states that financial institutions should have a more *"morally acceptable approach"* to assessing credit and should enact a certain level of social responsibility. This is pivotal to credit union operations in Ireland where their principles are "*founded in the philosophy of co-operation and its central values of equality, equity and mutual self-help"* (Clonakilty Credit Union, 2010). Therefore, it is imperative that credit culture fits the overall business of the credit union (Rouse (a), 2002); where it complements the importance of its social duty (Ralston and Wright, 2003). However, Lenihan (2009) highlights that given the present economic climate, credit unions social role duty is being put under pressure. He develops this statement by stressing that credit unions must ensure that their financial position is not undermined, their members‟ savings secure and their reports accurate and consistent. On the other hand, he states that they must also maintain their duty of providing finance to the community. Therefore, the literature suggests that a good balance must be administered between these two issues.

2.1.9.2 Education And Training

According to Hobbs (2010) education is another barrier that credit unions "*lack the business acumen to fully appreciate the risks to the business they are responsible for governing*". Additionally MAPDEG (2010) states that lenders must provide comprehensive training for frontline staff in order for them to assess and monitor a loan efficiently. In light of this, regulatory requirements have now been put in place which obliges all credit union staff that offer financial products to their customers to become an accredited individual (ILCU, 2010). This applies to all individuals that offer insurance products to their members. Overall, the personnel can be sufficiently qualified by either obtaining a grandfather rule (QFA, ACCUP or CUS, ILCU, 2010). In Connection with employee qualification the researcher believes that having competent credit employees can protect the lender from potentially risky operations and promote customer satisfaction by supplying quality, flexible and secured financial service. The study was depended on assess of credit management and collection policy from customer satisfaction, credit employee's competency and factors affecting access to credit, and collection techniques.

2.1.10 Credit Management Practices

According to credit bank of Negara Malaysia (2001) study, credit risk continues to remain the largest source of risk for banking institutions in the world. Effective credit management is therefore vital to ensure that banking institution's credit activities are conducted in a prudent manner and the risk of potential bank failures reduced. The success of banks (in the view of the researcher) hinges on their ability to manage their credit effectively. Even though there are no strictly laid down credit management practices, most financial institutions practice the following in order to maximize profit as well as to reduce credit risk.

2.1.11 Lending

According to McNaughton (1992) lending is the provision of resources (granting credit) by one party to another party where the second party doesn't reimburse the first party immediately, thereby generating a debt; and instead arranges either to repay or return those resources a later date. McNaughton was also of the view that to survive the numerous lending risks and to prosper, bankers must re-examine their bureaucratic tendencies in order to become responsible to the financial needs of the economy. The bureaucratic tendencies could thus cause lots of frustrations for credit applicants to obtain credit at the right time, which may hamper the success of projects. The principal profit- making activity of commercial banks is making credits to its customers. In allocating funds, the primary objective of bank management is to earn income while serving the credit needs of its community (Reed and Gill, 1989). Lending represents the soul of the industry which are the dominant asset and represent 50-75 percent to total amount of assets at most banks, generate the largest share of operating income and represent the banks greater risk exposure (Mac Donald and Koch, 2006).

2.1.12credit Information

According to Ferreti (2007), credit information is usually integrated with data from other sources such as court judgments, electoral rolls and other private information provided by other organizations, which compile additional information referring to a consumer. This naturally is ideal source of input for credit analysis. The determination of information sharing is to communicate relationship information from existing lending relationships to outside lenders Gehrig and Stenbacka (2007). Credit providers use credit information to conduct credit risk analysis of prospective borrowers in order to mitigate credit risk.

According to Kallberg and Udell (2003) highlight that information sharing is use full both at the origination stage and after credit has been extended. Particularly at the origination phase, information sharing reduces the problems of adverse selection.

2.1.13 Credit Assessment

Credit analysis is the first step in the process to tailor-make a solution to fit the customer's needs. The assessment starts with an understanding of the customer's needs and capacities to ensure there is a good fit in terms of the financing solution. Credit assessment is the most important safeguard to ensure the underlying quality of the credit being granted and is considered an essential element of credit risk management (Cade, 1999). The credit quality of an exposure generally refers to the borrower's ability and willingness to meet the commitments of the facility granted. It also includes default probability and anticipated recovery rate (Saunders & Cornett, 2003). Credit assessment thus involves assessing the risks involved in financing and thereby anticipating the probability of default and recovery rate. According to Strischek (2000), credit analysis is used by the credit officials to evaluate a borrower's character, capital, capacity, collateral and the cyclical aspect of the economy, or generally referred to as the five **C**'s. In here, the detailed discussion of those models will be present in the next section.

The Five C's of Credit

The credit analysis process, traditionally employed by the first banks, does not differ fundamentally from the processes used today (Caouette et al, 1998; Rose, 2002). The five **C'**s are considered the fundamentals of successful lending and have been around for approximately 50 years. Initially only character, capacity and capital were considered. However, over the years collateral and conditions were added. These provided and even more comprehensive view and clear understanding of the underlying risk and result of lending decision (Beckman & Bartels,

1955) and (Reed, Cotter, Gill & Smith, 1976) and (Sinkey, 2002). But according to Murphey (2004a) these principles should be the cornerstone of every lending decision which is called the five C's and discussed as follows:

2.1.13.1 Character

Character refers to the borrower's reputation and the borrower's willingness to settle debt obligations. In evaluating character, the borrower's honesty, integrity and trustworthiness are assessed. The borrower's credit history and the commitment of the owners are also evaluated (Rose, 2000). A company's reputation, referring specifically to credit, is based on past performance. A borrower has built up a good reputation or credit record if past commitments were promptly met (observed behavior) and repaid timely (Rose, 2002); (Koch& McDonald, 2003). Character is considered the most important and yet the most difficult to assess (Koch& MacDonald, 2003).

2.1.13.2 Capacity

Capacity refers to the business's ability to generate sufficient cash to repay the debt. An analysis of the applicant's businesses plan, management accounts and cash flow forecasts(demonstrating the need and ability to repay the commitments) will give a good indication of the capacity to repay (Sinkey, 2002; Koch & MacDonald, 2003).

2.1.13.3 Capital

Capital refers to the owner's level of investment in the business (Sinkey, 2002). Banks prefer owners to take a proportionate share of the risk. Although there are no hard and fast rules, a debt/equity ratio of 50:50 would be sufficient to mitigate the bank's risk where funding (unsecured) is based on the business's cash flow to service the funding (Harris, 2003).Lenders prefer significant equity (own contribution), as it demonstrates an owner's commitment and confidence in the business venture.

2.1.13.4 Condition

Conditions are external circumstances that could affect the borrower's ability to repay the amount financed. Lenders consider the overall economic and industry trends, regulatory, legal and liability issues before a decision is made (Sinkey, 2002). Once finance is approved, it is normally subject to terms and covenants and conditions, which are specifically related to the compliance of the approved facility (Leply, 2003).

2.1.13.5 Collateral

Collateral also called security is the assets that the borrower pledges to the bank to mitigate the bank's risk in event of default (Sinkey, 2002).It is something valuable which is pledged to the bank by the borrower to support the borrower's intention to repay the money advanced. Security is taken to mitigate the bank's risk in the event of default and is considered a secondary source of repayment (Koch & MacDonald, 2003). The five C's" are well-known credit assessment principles, commercial banks have developed their own qualitative credit risk assessment models to assess whether the bank will agree to lend to a specific business (Sinkey, 2002). Based on the credit information obtained about the borrower and credit assessment carried out, either by quantitative or qualitative model (through the use of the five C's) or combination of both, credit sanctioning will be done. The section that follows discusses the credit sanctioning or approval process.

2.1.14 Credit Approval

Prolonging credit is the careful balance of limiting risk and takes full advantage of profitability while maintaining a competitive edge in a complex, global marketplace. Banks go through at thorough process in approving credit to hit the balance. Credit approval is the process of deciding whether or not to extend credit to a particular customer. It involves two steps: gathering relevant information and determining credit worthiness (Rose, 2000).According to Westerfield and Jordan (1999) describes in the preceding section, the credit analysis process consists of a subjective analysis of the borrower's request and a quantitative analysis of the financial information provided. The individual steps in the credit approval process and their implementation have a considerable impact on the risks associated with credit approval. The quality of credit approval processes depends on two factors, those are transparent and comprehensive presentation of the risks when granting the credit an adequate assessment of these risks; furthermore, the level of efficiency of the credit approval processes is an important rating element.

2.1.15 Credit Follow Up

According to Wondimagegnehu (2012) lending decision is made on sound credit risk analysis /appraisal and assessment of creditworthiness of borrowers. But past records of satisfactory performance and integrity are no guarantee future, though they serve as useful guide to project trend in performance. A credit granted on the basis of sound analysis might go bad because of the borrower may not meet obligations per the terms and conditions of the loan contract. Monitoring or follow-up deals with the following vital aspects: Ensuring compliance with terms and conditions, monitoring end use of approved funds, monitoring performance to check continued viability of operation, detecting deviations from terms of decision, making periodic assessment of the health of the loans and advances by nothing some of the key indicators of performance that might include: profitability, activity level and management of the unit and ensure that the assets created are effectively utilized for productive purposes and are well maintained, and Ensuring recovery of the installments of the principal and interest in case of term loan as per the scheduled repayment program identify early warning signals, if any, and initiate remedial measures thereby averting from possible default.

2.1.16 Collection Policy

As per Brigham (1985) study credit policy refers to rules that delineate how to choose which clients are sold on open record, the precise installment terms, the points of confinement set on extraordinary offsets and how to manage reprobate records. And credit policy is characterized by the credit period, credit principles, the company's accumulation strategy and any markdown given for right on time installments in an association. Omolumo, (2003) clarified acknowledge approach as the choice variable that impacts the measure of exchange credit that is put resources into receivables which a firm may attempt at any given time.

The policy variables include the quality of the trade accounts accepted; the length of the credit period, the cash discount, any special terms such as seasonal dating and the collection program of the firm. Together, these elements largely determine the average collection period and the proportion of bad debt losses (Horne, 1995: 361).The creditworthiness assessment should take into consideration numerous pieces of information helpful in assessing the probability of customer's default. The company should review the prior experience with the particular customer. However, it may refer to periods when the customer was not experiencing financial difficulties. Therefore, the assessment procedure should include an analysis of the customer's current financial statements and credit reports, and bank references, trade references or credit bureau reports (Pike and Neale, 200).

Table 2.1: Implementation of credit policy

CREDIT PERIOD	How long the credit period should be with regard to the trade credit costs and the industry conditions?
DISCOUNTS	How high should the discount be with regard to trade credit costs and the risk of customers default?
CREDIT STANDARDS	How to define credit terms (including credit limits) with regard to customer's class of risk?
COLLECTION POLICY	How to specify the collection procedure with regard to the

Source: Pike and Neale (2000)

2.1.16.1 Collection Techniques

Referring by accounting association of Ethiopia (AAE) and Abegaz (2005) study's, a number of collection techniques are employed and as an account become more and more overdue; the collection effort becomes more personal and strict; here the basic techniques are as follows:-

-Letters: **-** After credit becomes overdue a certain number of days, the firm normally send a polite letter to remind to customer for the obligation**.** This is the first step in the collection process for overdue accounts.

-Telephone calls:-as long as the letter insures to be inadequacy and unsuccessful, the telephone calls may be made to the customer to personally request immediate payment.

-Personal visit: - sending a local state person or collection person to comfort to customer can be effective collection procedures.

-Using collection agencies:-a firm can turn uncollectable accounts overdue to collection agency or attorney for the firm's collection and then the fee for this service is typically high; the firm may receive 50% of on account collected.

- Legal action:-in here, the last and the most stringent step in collection process is under taking but it is an alternative use of collection agency; not only is direct legal action an expensive but also it may force the debtor to be bankruptcy and thereby eliminating from future business

2.2 Evidence of Empirical Study

According to Emanuel (2012) under his research work in agricultural development bank (ADB) branches in the Eastern Region of Ghana found that the main factors influencing access to credits are stringent policies, client history and cash flows of clients. He has also concluded, notwithstanding the establishment of guidelines in access to credits, customers who want to access credits must meet certain conditions in terms of cash flows, purpose of the loan, amount, age of client and the provision of security in order to enhance access to loans. Emanuel recommended that the policy of access should be flexible so that customers can easily access credits. In addition, management should not rely on only customer history and cash flows but should look at the variability of business plan and the past financial statement to take a decision on the variability of credit worthiness.

An Ethiopian, Hagos (2010), on his research work of credit management (A Case Study of Wegagen Bank Share Company in Tigray Region) underlined his finding on credit personnel capability and customer credit request satisfaction as follows: As qualified and experienced manpower enhances competence, majority of the employees of the bank are Degree holders and highly experienced, this enables the bank to accelerate its service delivery and become competitive in the growing stiff competitive industry, to meet its vision. The most potential and experienced credit customers are leaving the bank after accumulating experience and ascertained bankable which is considered as a factor for appraisal by others and this is highly affecting the client reputation. This problem is observed when the credits above the branch discretion are sent to head office for approval. The complaints are due to underestimation of properties offered for collateral, length of credit processing time, excessive reduction of credits requested and recommended by the branch.

Most of the credits provided are on short term repayment schedule (Mostly for the purpose of working capital). This is may be due to the limitation of capital base of the bank. However, it is currently causing burden of installment repayment and most of credit customers preferred to be improved as most of the time faces difficulty to manage it accordingly. It is one of the causes for credit customer's termination and the relationship between them. At this juncture, the researcher identify the research gap of effective credit management and collection policy from perspectives of customer's satisfaction with credit amount and term approved; credit accessibility with various applicants, credit requisition purpose; credit analysts and credit monitors competency with the needed credit management expertise and existence of continual training skills under the title named assessment of credit management and collection policy practices in commercial bank: (in the case of Berhan international bank S.C); specifically on credit management department and some selected city branches of the bank.

Haron et al (2012) assessed credit management system on loan performance of micro finance institutions and to establish the effect of credit term, client appraisal, credit risk control, and credit collection policies on loan performance of the institute. The researchers used primary data source and quantitative research design to test the relationships of these selected variables; they found that credit term formulated by MFI has an effect on loan performance, involvement of client on credit term formulation affects loan performance, interest rate charge has a reverse effect on loan performance, credit risk controls adopted by MFI has an effect on loan performance and collection policies of the institute have high effect on credit repayment performance.

Agu and Basil (2013) on their study credit management and bad debit n Nigeria commercial bank, in order to determine major cases of bad debit in Nigeria banks by using both primary and secondary data. The researchers also applied both qualitative and quantitative approaches to analysis data using time serious and regression data analysis models. Based on their finding, overall inefficiency of the banks due to inadequate monitoring of borrowers on their borrowed fund utilization, an increase in lending rate, and failure in appropriate follow-up, poor credit policy, and weak credit administration practices.

2.3 Conceptual Framework

Most of the studies which were conducted on credit management and collection policies have been conceptual in nature and more focused on the industry and big banks; however, there are limited studies providing evidence to the credit management in small banks; even if the topics of credit management and collection policy are equally important for all banks. As per the knowledge of the researcher, no study has conducted on Berhan international bank s.c to assess credit management and collection policy yet. Hence, this study aims to fill the gap in the literature by concentrating on the assessment of credit management and collection policy on Berhan international bank s.c therefore, the researcher believed that it is very appropriate to assess the credit management and collection policy of the bank and recommend courses of action that are to promote quality credit service and show circuital growth of skill adequacy in the bank.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3. Research Methodology

The following methods had implemented for this study; research design, research approach, sources of data, sampling procedures, instruments for data collection, methods of data presentation and analysis.

3.1 Research Design and Research Approach

According to Jackson (2009) described as a research design is constituted that the blueprint for the collection, measurement and analysis of data; research design could be classified in different ways based on the degree to which the research question has been crystallized, the time dimension, the purpose of the study, the research environment, and the source of data and analytical method. As a result Open-ended questions allow for a greater variety of responses from participants but are difficult to analyze statistically because the data must be coded or reduced in some manner. Whereas, Closed-ended questions are easy to analyze statistically; but they seriously limit the responses that participants can give.

The research type is descriptive type of research method that denoted to (Kothari, 2004); the main characteristic of this method is that the researcher has no control over the variables; he can only report what has happened or what is happening; descriptive research includes surveys and fact-finding enquiries of different kinds.

The object of descriptive research is to gain an accurate outline of events, persons or situations. It helps in obtaining information concerning the current status of a situation to describe what exists with respect to variables or conditions in the situation under investigation. What is more, information gathered using the survey method can be utilized to recommend believable purposes behind specific connections in the middle of variables and to deliver models of these connections (Saunders et al, 2012).

This study has applied survey method by employing both quantitative and qualitative instruments for data collection and analyzed. Under the quantitative approach, the researcher has been planned to use survey method because the variables involved in the analysis were quantitative in nature. According to Trochin (1999), survey methods are used for non- experimental and descriptive research methods. He further indicated that survey can be useful when a researcher wants to collect data on phenomena that cannot be directly observed. So, the researcher has intensified and relied on Trochin's affirmation, and had been decided to use survey method for his study. Also, mixed method involving both qualitative and quantitative research approach have used as a means of providing a contextual background to give a better understanding of the research problem. The characteristics that help to define mixed methods research (stage, level of integration, timing and relative status) highlight how quantitative and qualitative methods might be combined in a number of ways to provide to the researcher with better opportunities to answer his research question according to (Tashakkori and Teddlie, 2010).

3.2 Population of the Study

The intention grouping of this study were the credit customers of the bank; specifically from selected city branches of the bank and the employees who are directly involved in credit processing and administering at head office. This means, credit officers, credit analysts, credit monitors, branch managers, customer relationship managers, credit administration head and credit management directors or indirectly involve in all were contained within the target group. The total numbers of population were 540 from those of credit customers were 490 and 50 of populations form employees of the bank respectively (Based on bank's credit data base of revised employees manual 2016/17).

3.2.1 Sample Size Determination

The researcher has selected from credit department employees; and judged all of them and they were twenty (20) in numbers excluding the secretary and not but collateral estimation employees, branch credit officers and branch managers subjectively; the researcher has decided on big ten (10) city branches of the bank among the total population of ninety (90) branches found in Addis Ababa (annual bank's report of 2016/2017). Each branch's credit officers and branch managers who have been considered and they are thirty (30) in numbers. Since the researcher is one of the

BRIB staff; and he has well information about the selected branches which have and adequate number of credit activities for customers, credit product varieties, and limited amount as compared to other outgoing branches of the bank relatively. The sample size was determined by using sample size determination formula provided by Yamane's (1967) model. Accordingly, and estimate the standard deviation of the population from this total population the sample size was proposed by using the following sample size determination formula as follows:-

1 FOR CUSTOMERS

$$\mathbf{n}=\frac{N}{1+Ne^2}\,, \qquad \mathbf{n = 490/ [1+ 490x (0.10)^2] \; xn \approx 83}$$

Where, **N** = the number of population

n = the required sample size

e = margin of error at 10%

2 FOR EMPLOYEES

$$\mathbf{n}=\frac{N}{1+Ne^2}\,, \qquad \mathbf{n = 50/ [1+ 50x (0.10)^2] \; xn \approx 34}$$

Where, **N** = the number of population

n = the required sample size, and **e** = margin of error at 10%

According to Raosoft (2004) have said that the margin error of the sample would be if 90% of respondents answered Yes, while 10% of the respondents have said No. The table below has showed the breakdown of the population and the selected samples in the various branches of the study are described below.

Table 3.1: Table of Population and Sample size Determinations to employees

Branch Name	**No. of Population**		**Sample Size**	
Selected branches	Planned population	Actual population	Po. Sample size	Actu. sample size
Adissefer(saris area),	3	3	2	2
BOLE	**8**	**8**	**5.3**	**5.3**
Meshualekiy	8	8	5.3	5.3
Genet	4	4	2.7	2.7
Girar	3	3	2	2
Kebena	8	8	5.3	5.3
Kera	3	3	2	2
Legehar	3	3	2	2
Olomiya,	8	8	5.3	5.3
Sar-bet	3	3	2	2
Total	**50**		**34**	**34**

Sources: Secondary data own study 2018

Table 3.2: Table of Population and Sample size Determinations to customers

Branch Name	**No. of Population**			**Sample Size**		
Selected branches	Planned popn	Actu. popn	difference	Plan sample size	Actu. Sample	Difference
Adisse(saris area),	50	40	20	8	7	1
BOLE	**70**	**50**	**20**	**12**	**8**	**4**
Meshualekiy	40	30	10	7	5	2
Genet	50	50	-0-	8	8	-0-
Girar	40	35	5	7	6	1
Kebena	30	30	-0-	5	5	-0-
Kera	60	50	10	10	8	2
Legehar	40	40	-0-	7	7	-0-
Olomiya,	65	60	5	11	10.2	0.8
Sar-bet	45	40	5	8	6.8	1.2
Total	**490**	**425**	**65**	**83**	**71**	**12**

Sources: Secondary data own study 2018

Hence, after sample size was determined for each branch; with the help of convenience sampling method (non-random), the required data have been collected from the listed branch's credit customers. In general, the total number of research respondents from bank employees and customers were thirty four (34) and eighty three (83) respectively. However, from the total respondents 12 (14.5%) of them were not given their responses most of them were from Bole, Meshualekiy Sar- bet and Girar branches; so it has an impact on this study.

3.2.2 Sampling Procedures

Credit management department respondents were selected into a sample population by purposive sampling from the population of employees due to the specific needs of the topic which required people who were directly involved in the credit administration and procedures of the bank and who are also available at the time of carrying out the research work. In connection with banks credit customer, branch credit officer and branch manager respondents, the researcher has planned to select them from bank's branches located in Addis Ababa. This is because of the convenience they have to the study and their accessibility to the researcher. Thus, considering homogeneity characterizes of the respondents (Banks credit customers) like document required, time expend from credit application to approval, credit term and amount approved to them, contractual agreement made with the bank; the researcher has used a non-probability sampling under non-probability sampling technique the researcher focused on convenience (non-random) sampling method for the researcher proximity and availability of targeted customers.

According to Faugier and Cochran (1997) regarding to sampling techniques, convenience sampling method is a set of techniques in which the respondent of the study are selected by the researcher for convenience due to proximity, availability, accessibility or/and other ways that the researcher decided; therefore it is a fast and easy method to use; however, the result rarely are the representative of the population. So, it has its own pros and cons for required study while applying this method.

3.3 Source of Data

The data had gathered from primary sources through the use of questionnaires and interview preferences. This would help to determine views and opinions pertaining to the topic under investigation. The secondary sources of data was also gathered from national bank of Ethiopia, annual report of the bank's performance specifically in credit department and reports and journals of BRIB in order to sustain a trend analysis to help provide a more comprehensive assessment of credit management and collection policy and their impact on performance over a period of time.

3.3.1 Data Collection

Data was collected by using a combination of both quantitative and qualitative methods; quantitative data is primarily collected from the financial statements of the bank (BRIB), National bank of Ethiopia annual report; and the questionnaires formed the beginning of generating the primary data. Qualitative data was collected through using interviews with whom the tom managers of credit department, operation managers, and loan officers which have been done purposively.

Secondary data was also collected from annual reports of portfolio size, credit recovery rates, credit performance as well as interest income; questionnaires were administered to each respondent in the study which were open and close ended questions. The close ended questions were used to collect opinion variables as well as test the rating of various attributes. Opinion variables were recorded how the respondents have felt about something or what they thought or believed was true or false. The open-ended questions provided additional information that may not have been captured in the close-ended questions.

3.4 Data Analysis Techniques

Descriptive statistics is applied to analyze data; the primary data collected through questionnaire were carefully checked and coded to analyze it by SPSS ver.20.Branch managers were interviewed. The investigator interviewed some customers of BriB S.C since they are known to the researcher to have their view in this research that causes them to dissatisfy and delay to approve their credit and due to the confidentiality of banks policy, additional interview was made at head office organ specifically directors of the bank. Secondary data was obtained from the company's published audited financial statements to find out how credit management and collection policy is carried out in the bank. Before processing the responses, the completed questionnaires were edited for completeness and consistency. The findings were presented using tables, percentages, frequency.

3.4.1 Ethical Consideration

Due consideration has been given to get hold of consent from each participant about their participation in the study. It had been strictly conducted on voluntary basis and the researcher had tried to respect participants' right and privacy. The findings of the research has presented without any deviation from the outcome of the research. In addition, the researcher has given full acknowledgements to all the reference materials used in the study.

3.4.2 Validity & Readability Test Result

Validity refers to whether an instrument actually measures what it is supposed to measure, given the context in which it is Applied (Bless & Hinson-Smith, 1995). Bless & Hinson-Smith (1995) highlight that reliability is "concerned with the consistency of measures", thus, the level of an instrument's reliability is dependent on its ability to produce the same score when used repeatedly. In order to ensure validity and reliability, the questionnaire was composed of carefully constructed questions to avoid ambiguity and in order to answer all the research questions. The questionnaire and interviews designed for the study were reviewed and commented by advisor. As a next step, a pilot test was conducted with employees and customers 25 and 50 (75) which are presented 73.5% and 60.01% respectively for each given questionnaires during the development stage to ensure the internal consistency of the instrument. The result indicated that the internal consistency is rated as 0.88 as measured by Crombachs Alpha coefficient which shows that the instrument is well enough consistent. From the set of respondent's only respondents of head office & Girar branches were used for pilot study. Finally, the improved versions of the questionnaires have been used printed, duplicated and dispatched.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATIONS

4. Introduction

Chapter three has been introduced the research instruments on how the data were being conducted and analyzed. In this chapter, the researcher would interpret the data by using the selected statistical analysis scale known as nominal scale.

All results were obtained from the output of SPSS 20 computation analysis software. The presentation of the results in this chapter includes descriptive analysis in terms of frequency.

4.1 Socio- Demographic Characteristics of Respondents For Employees

The following socio-demographic characteristics of respondents were analyzed, sex, marital status, age, level of education and years of experience. Out of 34 questionnaires distributed to credit employees of the bank, the entire 34 questionnaires were successfully filled & returned to the researcher, which is 100% satisfied the targeted samples as indicated on the table below that presented only for the employees' perspectives.

Table 4.1.1: General profile of respondents for employees

No.	Demographics		Frequency	Percentage
1.	Sex of respondents	M	16	47.1
		F	18	52.9
	Total		**34**	**100%**
2.	Marital status	Married	15	44.1
		Single	19	55.9
		Divorced	-0-	0
	Total		**34**	**100%**
3.	Age (years) of respondent	18-29	24	5.9
		30-39	8	23.5
		40-49	2	70.6
		>50	-0-	0
	Total		**34**	**100%**
4.	Educational qualification	Diploma	1	2.9
		Masters	5	14.7
		Degree	28	82.4
	Total		**34**	**100%**
5	Years of experience in banking industry	**<1**	**3**	**8.8**
		1-4	**20**	**58.8**
		5-9	**10**	**29.4**
		15+	**1**	**2.9**
	Total		**34**	**100%**
6	Years of experience in banking at bank	**<1**	**22**	**64.7**
		1-5	**11**	**32.4**
		6-10	**1**	**2.9**
		>15	**-0-**	**0**
	Total		**34**	**100%**

Source: Own survey on 2018

4.1.1 Sex of Respondents

According to Table 4.1.1 presented above, there are 16 (47.1%) male and 18 (52.9%) female respondents regarding to employees perspectives were involved in this research survey.

From this it seems that the participation of females is high working in the bank as compared to males which further indicates their significant operational participation in the bank; which might be unusual the character of most developing nations including Ethiopia.

4.1.2 Martial Status

Table 4.1.1 it shows the respondents' marital status. Majority of the respondents are married which consists of 19 (55.9%) respondents. Out of 34 respondents, 15(44.1.2%) respondents were single and no respondents who were divorced. From this analysis, the researcher recognized most of employees are married that implies the measurement of risk, accountability, and responsibility of the employees will increase due to the level of status changes.

4.1.3 Age of Respondents

Table 4.1.1 it shows that among all the respondents, majority of them fall between the age ranges of 18-29 years old which constitute of 24(70.6%) respondents. Followed by 8 (23.5%) respondents are between age range of 30-39 years old 2 (5.9%) respondents' fall between the age range of 40-49 years old and no respondents' age fall between age ranges 50 and above. This means that most of the workers in the bank are young's and adults.

4.1.4 Level of Education

As illustrated table 4.1.1 above In terms of education level, 28 respondents (82.4%) have achieved Bachelor Degree, followed by 5 respondents (14.7%) have completed their Master's degree and respondent 1(2.9%) have completed Diploma. This indicates majority of the employees were bachelor holders and professionals; the detailed information about the staffs is illustrated above. Denoted to Hobbs (2010) on his study that credit unions "*lack the business acumen to fully appreciate the risks to the business they are responsible for governing*". Additionally MAPDEG (2010) states that lenders must provide comprehensive training for frontline staff in order for them to assess and monitor a credit efficiently. Based on previous studies and scholars' views when the level of education becomes qualified, the severity of credit risk will decrease.

From these points of views, the researcher has compared the previous studies as well as the finding. Although experience is a source of knowledge, qualification is the predetermining factor to be competing with others, analysis the level of risks, and to take calculated risks in business perspectives. Because till there is a gap of 2.9% under qualification which consists diploma holders in the profession field; even if the finding shows that there is over qualification 14.7% of master holders.

4.1.5 Experience in Banking Industry

According to table 4.1.1 refers that Out of 34 respondents, majority of the respondents' working experience fall between the range of less one year which constitute of 22 respondents or equivalent to (64.7%). Followed by 11(32.4%) respondents working experience fall between 6-10 years they constituents 1(2.9%) and no respondent's working experience was greater than 15 years respectively. According to MAPDEG (2010) denoted that lenders must provide comprehensive training for frontline staff in order for them to assess and monitor a credit efficiently. In light of this, regulatory requirements have now been put in place which obliges all credit union staff that offer financial products to their customers to become an accredited individual (ILCU, 2010). This applies to all individuals that offer insurance products to their members. Overall, the personnel can be sufficiently qualified by either obtaining a grandfather rule, QFA, ACCUP or CUS (ILCU, 2010). This study found that no matter how the level of working experience is high or low but the predetermining factor is qualification. Farther more, while the level of experience is increasing, the fitness of qualification become increasing; however, it may builds over confidence and it will be another problem in the bank.

4.1.6 Years of Service in Credit

As indicated table 4.1.1 above, Out of 34 respondents, majority of the respondents' working experience fall between the range of 1-4 years which constitute of 20 (58.8%) respondents followed by 10(29.4%) respondents working experience fall under one year they constituents 3(8.8%) and 1(2.9%) respondent's working experience was greater than 15 years respectively. Out of 34 respondents, majority of the respondents' working experience fall in less one year which constitute of 22 (64.7%) and followed by 11(32.4%) respondents working experience fall between 1-5 years and 1(2.9%) of the respondents working experiences falls between 6-10. In the banking and services their no respondents working experience was greater than 15 years.

Table 4.1.2: Inhabited access to credit to processes at bank

No.	Access to Credit		Frequency	Percentage
1.	**factors that inhibited access to credits**	Age of customers	-0-	0
		Customer history	5	14.7
		Purpose of credit	4	11.8
		Business viability	7	20.6
		Amount	4	11.8
		Rigid policy	7	20.6
		Cash flow	7	20.6
	Total		34	100.0
2.	**the problems identified and reduced to increase access**	Education	1	2.9
		Good business plan	8	23.5
		Flexible policy rule	13	38.2
		Credit dep't should be more functional	5	14.7
		Reducing interest rate	1	2.9
		In service training	6	17.6
	Total		**34**	**100%**

Source: Own survey 2018

4.2 Factors Influencing Access to Credits

Without creating the platform necessary for customers to access credits, it will be impossible for management to control and manage credits since nothing will be there to manage. Based on this, the researcher is interested in determining the factors influencing accessing to credits and what management is doing to increase access to credits; the details of the factors influencing access to credits are presented in table 4.1.2 above.

The table above (4.1.2) shows, it concerns about inhibit access to credit processes in the Bank, from the majority of 34 respondent 5(14.7 %) of the respondents have stated customer history, while 4(11.8%) of the respondents were on purpose of credit, and 7 (20.6%) of the respondents says business viability, 4(11.8%) of the respondents have stated amount and the same as to business viability, rigid collateral policy 7 (20.6%) and cash flow respondents were 7(20.6%) of the respondents that they have described there was intension of cash flow to inhibit access to credit at the bank.

As per Hagos (2010) has stated that there are other problems that the bank should give attention to the credit customers in order to enhance access to credit such as concentration, failure of due diligence, inadequate monitoring, and limit concentration. And according to Haron et al (2012), study it helps to create more avenues for people to access credits; strict policy rules are sometimes established as a way of helping to ensure effective control of the credit management process however, due to changing nature of the environment coupled with intense competition from other players in the industry, it becomes imposing for some of these rules to be relaxed in order to allow more people to access credit facilities.

This is the supportive of agreement with Poli and Puri (2013) who stated that the purpose of the loan should be documented carefully. They went ahead to state that the bank should ensure that the end-use of the credit should be for the documented purpose only.

Age of customers, the purpose of accessing the credits and cash flow statement have their own impacts; however, the age of a customer is another factor taken into consideration when granting credits to customers even if it is insignificant for this finding. A person who is under 18 years cannot access credits from any bank because they are considered as minors NBE, SBB/592/2008.

The "cash flows of a customer" is also used as a measure to grant credits to customers. It is a requirement in the bank that every credit request should be supported with cash flow system. The statement of business cash flows is often uses for analysts to gauge financial performance. Companies with ample cash on hand are able to invest the cash back into the business in order to generate more cash and profit. This is because; every company has to be able to generate positive cash flows in the long run. Businesses with permanently negative cash flows will face liquidity constraints; hence will be unable to repay the credits if granted.

Accordingly**,** problems identified to increase access to credit is described under table 4.1.2 shows that from the entire 34 respondents majority of the respondents constituent 13(38.2%) were based on flexible policy rules, following by 8(23.5%) respondents depend on good business plan and 6(17.6%) respondents said that there is in service training and 5(14.7%) the respondents stated that credit department should be functional and the remaining respondents of education and reducing interest rate variables have the same respondent as well as percentages of 1(2.9%) for each variables. This study found that as high as business viability, rigid collateral policy cash flow, and banks customer history scores 20.6%, 20.6%, 20.6% and 14.7% consequently. In which respondents considered the stated factor as a major factor of accessing to credit Service. As this data could explain large number of employees' of the bank has common intention concerning to business viability, rigid collateral policy and cash flow at the bank; this shows the three vital variables were the main issues to increase access to credit or decrease to inhibited access to credit existing in the bank; however,

Therefore, based on the respondents' testimony and the previous studies have demonstrated in the above, flexible policy rules is a vital in order to increase access to credit in one side and it help to identify problems so as to reduce the hinders on another side; following to flexible policy rules good business plan and cash flow is also an essential part of increasing to access to credit.

4.3 Credit Employees Competency

It refers to employee's competency analysis with bank experience, credit experience, regular and formal training existence, compliance of employees with banks credit directives, procedures and policies and finally their extent of satisfaction with their current job position and the means of dissatisfactions; the comprehensive data is provided below table 4.1.3 and its result from employees perfectives.

Table 4.1.3: Credit employees' competency

No.	CREDIT EMPLOYEES COMPETENCY		Frequency	Percentage
1.	Background of job Experience in relates from Credit management Department	YES	12	35.3
		NO	22	64.7
	Total		34	100.0
2.	The trend of transferring employees from non-credit department to credit department	YES	19	55.9
		NO	15	44.1
	Total		34	100.0
3.	Credit related Experience of Employee can negatively affect the Quality of Credit Management Practice	YES	11	32.4
		NO	23	67.6
	Total		34	100.0
4.	Formal and regular training program in connection with credit operation	YES	21	61.8
		NO	13	38.2
	Total		34	100.0
5.	Linked with banks credit policy, procedures and directives and got enough explanation where it's needed from Credit officials	YES	23	67.6
		NO	11	32.4
	Total		**34**	**100.0**
6	Satisfaction with your current job position	YES	20	58.8
		NO	14	41.2
	Total		34	100.0
7	Reason to Dissatisfy with current job	Job promotion strategy	12	35.3
		Remuneration strategy	8	23.5
		HRM's strategy	14	41.2
	Total		34	100.0

Source: Own survey 2018

Hagos (2010), on his research work of credit management underlined his finding on credit personnel capability and customer credit request satisfaction as follows: As qualified and experienced manpower enhances competence, if the majority of the employees of the bank are highly experienced, this enables the bank to accelerate its service delivery and become competitive in the growing stiff competitive industry, to meet its vision.

The above table 4.1.3 shows that from the total of 34 respondents, majority of the them constituent 22(64.7%) were said No, following by 12(35.3%) respondents said Yes. This means that 64.7% of employees were out of credit department whereas 35.3% of employees were in credit department management; this implied that there were low-slung employees’ backgrounds of job experience in the bank.

This contribute to the less quality credit operation of the bank since experienced and more qualified credit employees have their own significance value to timely submit or respond credit decisions to the customers , protect the bank from unexpected risk, enhance customer satisfaction and compete and finally win the financial industry using human capital as values of core competency. The remain 35.3% of the respondents bear out that they are from other than credit operation department like from human resource department, international banking department and etc.

The Table also demonstrate that from the overall of 34 respondents majority of the respondents constituent 19(55.9%) were said Yes, following by 15(44.1%) respondents said No. This means that out of 55.9% of employees were out of credit department while 44.1% of employees were in credit department management, as a result there was employees transfer across departments in the bank; it justified that there is high tendency of moving employees from non-credit department to credit department as 55.9% of respondents confirmed same.

Under Table 4.1.3 one can see that on the whole of 34 respondents’ majority of the respondents represented 23 (67.6%) have said No, and following by 11(32.4%) respondents said Yes. This means that out of 67.6% of employees have believed that non-credit relate experience was not negatively affected credit management as well as collection policy in the bank, even though 32.4% of employees believed that non-credit relate experience was negatively affected credit management and collection policy.

Most of the respondents pointed out that having well organized credit operation experience can enhance banks quality credit managements and collection policy, can avoid potentially risky activities, and can able to win the financial industries in stiff competition right now.

As a result the positive impact was greater than the negative ones; this mean that the bank has been being applied job rotation, on job training, off job training, and transfer of knowledge through different departments within the bank.

According to MAPDEG (2010) states that lenders must provide comprehensive training for frontline staff in order for them to assess and monitor a credit efficiently. In light of this, regulatory requirements have now been put in place which obliges all credit union staff that offer financial products to their customers to become an accredited individuals. Agreeing upon table 4.1.3 discloses that from the entire of 34 respondents majority of the respondents stand for 21 (61.8%) have said Yes, and the subsequent respondents 13(38.2%) were responded No. This means that out of 100 percent 61.8% of employees have believed that there was a formal and regular training program in connection with credit operation in the bank; nonetheless 38.2% of employees believed that there was no formal and regular training program in connection with credit operation at the bank.

Even though, 61.8% of respondents reply that there is formal and regular training service in the credit management department most of them are employees of credit management at head office Organ of the bank. The remaining (38.2%) percentage of respondents has confirmed that they have never taken formal training program and the researcher identified them they are from Addis Ababa branches of the bank. The virtue of the bank’s training service, it shall incorporate all branches’ credit officers with the existing formal and regular training service program.

The Table 4.1.3 also describes that from the total of 34 respondents greater part of the respondents’ position for 23 (67.6%) have said Yes, and the later respondents 11(32.4%) were responded No. Therefore, out of 100 percent 67.6% of employees have stated that they have been being in lined with banks credit policy, procedures, and directives got enough explanations where it's needed from credit officials; however, out of 32.4% of employees thought that there was no formal and regular training program in connection with credit operation at the bank.

According to table 4.1.3 stated that from the whole of 34 respondents majority of the respondents 20 (58.8%) have said Yes, and the later respondents 14(41.2%) were responded No. Hence, out of 100 percent 58.8% of employees have believed that they have been being satisfied with their current job position; however, the remaining respondents of 41.2% of employees have said that they were not satisfied with their current job position at the bank.

One final thing table 4.1.3 shows as it is on the subject of employees' perspective has identified that as the complete of 34 respondents of the employees 12(35.3%) have said that they were dissatisfied with bank's job promotion strategy and the later respondents 8(23.5%) were responded as they were dissatisfied with bank's remuneration strategy, and the remaining respondents uphold the majority of the respondents 14(41.2%) have said that they were dissatisfied with bank's human resource management strategy. Hence, out of 100 percent 41.2% of employees have believed that they have been being dissatisfied with bank's human resource management strategy; in other ways, the following respondents of 35.3% of employees have said that they were not satisfied with their current job promotion and also the remaining respondents constituent 23.5% have stated that they were not satisfied with bank's remuneration strategy at the bank.

Therefore, based on employees' perspectives with regard to job dissatisfaction on current position; the majority of the respondents have depended on human resource management strategy which were dissatisfied the employees and the later one was job promotion of the employees' dissatisfaction and the list one was bank's remuneration strategy dissatisfaction. As a result, human resource department should have to adjust their strategy as well as promotion strategy and eliminate the list problems existing in remuneration strategy at the bank.

4.4 Bank Customers/Borrowers Satisfaction

The researcher has planned to collect the data from 83 borrowers of selected branches of the bank, but 71 respondents successfully filled and returned the Questionnaire, which (83-12) is equals to 71 (85.5%) of planned sample size and the remaining 12(14.5%) of the respondents were not voluntary to fill and return . The detail of respondents are listed in the below table.

According to table 4.2.1 shows that sex of respondents which are 42 (59.2%) male and 29 (40.8%) female regarding to customers perspectives were involved in this research survey. This shows that the majority customers were males in the bank.

The research proved that peoples who are engaged in business and who are customer for the bank are working class of the community. This energetic customer of the bank supports the activities toward meeting of bank's vision in particular and country's economic development in General; the detailed are presented below the table.

Table 4.2.1 shows that among all the respondents, majority of them fall between the age range of 26-35 years old which constitute of 32 respondents or equivalent to (45.1%). Followed by 27 (38%) respondents are between age range of 36-45 years old, 8 (11.3%) respondents' fall between the age ranges of above 45 years and the final respondents' age fall between age ranges of 18-25 which constituent 5.6%. Based on the data presented hereby the respondents, the middle age generation were becoming to a business; so it might be a positive impact for a given country regarding to economic development, innovation, entrepreneurship, adaptive new technology, and working together in uncertainty situation by avoiding interest conflicts in both sides.

The research proved that peoples who are engaged in business and who are customer for the bank were identified their marital status from single to divorced as stated below the table. As table 4.2.1 below demonstrations that the respondents' marital status from the total respondent of 71, majority of the respondents were married which consists of 39 (54.9%) respondents and out of 71 respondents, 31(43.7%) respondents were single and one respondent who was divorced proportionate 1.4%. This shows most of the respondents have got married and have positive implication on risks carefulness and long term relationship with the bank.

This clearly depicts that most of the credit customers of the bank's educational level was degree holders. As educational level increases, the skill to manage and understand the business also increases accelerating productivity and this protects credit customers from financial distress. Thus, as level of education increases performance also increases contributing to the required level of bank-customer relationship and business reputation. For more details, table 4.2.1 presented below. As indicted in table 4.2.1 In terms of education level, 38 respondents (53.5%)

have achieved their diploma, followed by 28 respondents (39.4%) have completed their degree and 5 respondents (7%) have completed Master's degree. This indicates majority of the customers were the holders of diploma following by degree holders.

Table 4.2.1: General profile regarding to respondents for customers only

No.	Demographics		Frequency	Percentage
1.	Sex of respondents	M	42	59.2
		F	29	40.8
	Total		**71**	**100%**
2.	Marital status	Married	31	43.7
		Single	39	54.9
		Divorced	1	1.4
	Total		**71**	**100%**
3.	Age (years) of respondent	18-25	4	5.6
		26-35	32	45.1
		36-45	27	38.0
		>45	8	11.3
	Total		**71**	**100%**
4.	Educational qualification	Diploma	38	53.5
		MA	5	7.0
		Degree	28	39.4

Source: Own survey 2018

4.5 Bank Customers/Borrowers Satisfactions

Satisfied customers can stay for more than one year and built banks reputation. That is why the researcher initiated in understanding to what extent the banks customer (borrower) being satisfied. Credit processing and lending function is the core product of all banks in general as it contributes the major shares of revenue to its profitability. In other words, credits and advances are known to be the main stay of all banks. They occupy an important part in gross earnings and net profit of the banks. The share advances in the total asset of the banks forms a lion share (almost more than 60%) and as such, it is known as the backbone of banking sector. The strength and soundness of the banking system primarily depends upon health of the credits.

Though, in order to promote the lending function to the required level, the bank should produce and follow, up to date, convenient credit policies, and procedures to attract potential credit customers and develop a long lasting borrower-bank relationship; because the following table 4.2.2 shows that the credit customer were dissatisfied with the bank's credit approved as indicated below. Among the respondents from credit customers, the majority (57.7percent) rates the relation not good.

Table 4.2.2: Regarding customers' satisfaction with the approved amount of credit

Customers are satisfied with the Credit approved		
ITEMS	**Frequency**	**Percent**
Yes	30	42.3
No	41	57.7
Total	71	100.0

Source: Own survey 2018

According on table 4.2.2 stated that from the whole of 71 respondents majority of the respondents 30 (42.3%) have said Yes, and the later respondents 41(57.7%) were responded No. Hence, out of 100 percent 42.3% of customers have believed that they have been satisfied with their current credit requisition; however, the remaining respondents of 57.7% of customers have said that they were not satisfied with their credit requisition at the bank. As a result the bank should have adjusted the credit accessibility to unsatisfied customers in order to compensate them and hold its customers for a long-time.

Table 4.2.3: To know how much customers dissatisfied with the listed variables.

To know which of the following makes customers dissatisfy more.		
ITEMS	**Frequency**	**Percent**
Banks credit decision makers approved the credit under you dissatisfy	10	14.2
Banks engineer estimated your collateral below market value	40	56.3
The time to decide on your credit request is too much long	18	25.4
The term or mode of credit repayment is not as your request	3	4.1
Total	71	100

Source: Own survey 2018

The above table 4.2.3 on the subject of customer's' perspective has identified that from the complete of 71 respondents majority of the customers were 40 in numbers (56.3%) in percentage have said that they were dissatisfied with bank's engineering estimation with their collateral below market value and the following by 18 respondents (25.4%) were responded as they were dissatisfied with bank's time postponements for their credit request that might be a long period of time to decide and approve it, and the other respondents constituent 10 (14.2%) have said that they were dissatisfied with Bank's credit decision makers approved the credit and the remaining respondents have represented by 3(4.1%) which means as compare to other variables requisition time was not a matter of dissatisfaction for the bank.

The determinant of deciding the under request credit is various according to the type of the credit including the term and mode of repayment, the collateral requisition, and the purpose of the credit. Making the borrower be informed during banks credit product advertises can make them know whether their request approved as it is or not; this can minimize the extent of borrower's dissatisfaction. Under same questions of questionnaire, option that allows the respondents to state if there is other conditions, which makes them dissatisfied; most of them state the bank request collateral as the first criterion beyond the credit amount under request and the purpose of the business. This is also another clue for the bank to review their current trend of credit procedure.

Table 4.2.4: To know where customers credit request is delay.

To know Where the credit decision response is delayed.		
ITEMS	Frequency	Percent
At branch of the bank	15	21.1
At head office organ of credit management	45	63.4
you do not know where	11	15.5
Total	71	100.0

Source: Own survey 2018

According to table 4.2.4 shows that from the entire 71 respondents majority of the respondents constituent 45(63.4%) have criticized to head office organ of credit management, following by 15(21.1%) respondents complained the branch of the bank and 11 of (15.5%) respondents said that they were not knew where was the mistakes. Therefore, based on the respondents' demonstration head office organ of credit management has had a vital role in order to delay to credit; following to branch of the bank to credit.

Table 4.2.5: To see customers' credit service expectation

Credit service meet customers expectation or not.		
ITEMS	Frequency	Percent
Yes	43	60.6
No	28	39.4
Total	71	100.0

Source: Own survey 2018

Table 4.2.5 demonstrate that from the overall of 71 respondents majority of the respondents constituent 43(60.6%) were said Yes, following by 28(39.4%) respondents said No. This means that out of 100% of customers 60.6% of the customers have got the credit provision service as their expectation while 39.4% of customers were not found as they have expected; so as a result there was unbalance finance credit departments in the bank.

Table 4.2.6: To know whether the customers were properly informed about credit products

Customers are informed about credit services.		
ITEMS	Frequency	Percent
Yes	51	71.8
No	20	28.2
Total	71	100.0

Source: Own survey 2018

Table 4.2.6 reveals that on the whole of 71 respondents' majority of the respondents represented 51 (71.8%) have said Yes, and the latter respondents were 20 in numbers (28.2%) in percentages have said No. This means that out of 100% of customers 71.8% have believed that they have informed from credit officers and managers of the bank properly about various credit products of the bank; required documents, bank policy and procedures. However, a less but a large number of customers 20(28.2) of respondent didn't get any information from any authorized body assigned by the bank. Which mean that the bank has being negatively affected while credit managed and collection policy processed. Although the positive impact was greater than the negative ones; the bank should have to take care about the negative impact which would be affect the operation performed in the bank.

Table 4.2.7: To know the relation between collateral request and customers' satisfaction

Customers are satisfied with banks collateral request.		
ITEMS	Frequency	Percent
Yes	23	32.4
No	48	67.6
Total	71	100.0

Source: Own survey 2018

According to table 4.2.7 stated that from the whole of 71 respondents majority of the respondents 48 (67.6%) have said No, and the later respondents 23(32.4%) were responded Yes. Hence, out of 100 percent 67.6% of customers have believed that they have been not satisfied with their own banks request of collateral so as to secure the credit under their demand; conversely, the remaining respondents of 32.4% of customers have said that they have satisfied with their request of collateral so as to secure the credit under the request at the bank.

The table refers; the bank should have to see the credit decisions made the customer and take necessarily Policy and Procedure revision action so as to minimize the customers who are being dissatisfied. The study also tries to identify the main cause that make the customers' dissatisfied and put it as mentioned table 4.2.8 below.

Table 4.2.8: The relationship between bank's collateral policy and customers' satisfaction

To know how the bank procedure dissatisfy credit customers.		
ITEMS	Frequency	Percent
The bank obligations building as collateral	12	16.9
The bank doesn't consider vehicles as collateral for the finance of term loan	4	5.6
The bank requires more valued property for short term or small amount of credit	40	56.4
There is no elastic or flexible way of collateral requirement	15	21.1
Total	71	100.0

Source: Own survey 2018

The above table 4.2.8 has demonstrated on the subject of customer's' perspectives from the complete of 71 respondents majority of the customers were 40 in numbers (56.4%) in percentage have said that they were dissatisfied with bank's requires more valued property for short term or small amount of credit and following by 15 respondents (21.1%) of were responded as they were dissatisfied with bank's absence of elastic or flexible way of collateral requirement, and the other respondents constituent 12 (16.9%) and 4(5.6%) have said that they were dissatisfied with Bank's obligations building as collateral and The bank didn't consider vehicles as collateral for the finance of term loan respectively.

Hence, out of 100 percent 56.6% of customers have believed that they have dissatisfied with Bank's requires more valued property for short term or small amount of credit ; in other ways, the other respondents of 21.1% of customers have believed that they were not satisfied because of the absences of an elastic or flexible way of collateral requirement and also the remaining respondents constituent 16.9% and 5.6% have stated that they were not satisfied with Bank’s obligations building as collateral, and the bank doesn't consider vehicles as collateral for the finance of term credit at the bank. Under same questions of questionnaire, option that allows the respondents to state if there is other conditions, which makes them dissatisfied; most of them state the bank request collateral as the first criterion beyond the credit amount under request and the purpose of the business. This is also another clue for the bank to review their current trend of credit procedures.

4.6 Interview Analysis

Here the researcher discussed with bank’s credit officials/Director credit management director of the bank, the selected branches managers, credit follow up managers. They have shared their valuable experience concerning with credit management and collection policy. Based on that the researcher raised and forwarded questions then has collected and amalgamated as follows:- As the top managers, directors, credit follow up divisions, credit officers says that the main barriers to lending in the bank were either internal or external such as NBE bills payment on disbursement transaction, liquidity challenge due to limited source of fund mobilization as a result of absence of money market, Absence/inadequate collaterals at rural areas and most customers and their current transaction at the bank not balanced. However, the activities that have taken to improve credit customer’s satisfaction in connection with collateral Requisition and time consumed to approve the credit was increasing as collateral valuators, Prepare checklist for Collection of required documents from customers at once and manage the work delivery accordingly, and decentralize the valuation process to Regional/ District Centers. The researcher asked them whether the whole lending officers should acquire a required skill or not as specified educational qualifications and experiences, and the answer is yes, unless lending officers have the basic education and experience requirements, it will be difficult to handle the lending duties, of-course it shall be supplemented with relevant training, and collateral issues were mostly help branch manager’s recommendation and the attachment of the customers with the branch and for customer’s clean – base credit will approve and it links with greatest benefit KYC (know your customer) principle.

Most of the time, it helps the bank to take customers before grantee they provide credit; all business fields are very relevant for credit analysis. Experienced and/ or exposure and training background in engineering and/or statistics also important to some extent**.** Basically the level of training contribute to credit management has great importance to improve one' knowledge as well as to gain new skills as the business world is very dynamic and credit analysis requires enthusiasms.

As per their believes, the current credit management process needs revision**;** depending on practical world vitality as well as the changes taking place in the industry, as the process and policies requirement are changing from time to time. And they have reporting standards in connection to credit union to care enough through the manual reporting formats developed by the bank have in depth contents; the system lacks to produce such vital reports, which makes the MIS part not to the required level, but they are working on system change/Improvements in near future.

Even though the bank has committed to change, it has become dormant to different challenges in credit management department that faced in implementing any necessary changes to current credit management process like approving credit guarantees at clean-base for those customers who was recommended by branch managers, and to decrease commission rate specifically for guarantee since some customers compare the rate with other banks. Therefore, unless the external environment becomes a challenge, it did not see big challenges within. Finally they have shared on collection techniques that followed by bank is the same way they answered as usual.

CHAPTER FIVE

5. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDTATION

5.1. Summary of Findings

This study examined on the assessment of credit management and collection policy in Berhan international Bank S.C. The general objective of the study is assessment of credit management and collection policy of the Bank; the Specific objectives of the study are; to evaluate the criteria used by the bank to grant credit, to assess credit collection techniques used by the bank, to examine customer's satisfaction with credit amount and term approved, and to critically evaluate credit accessibility with various applicants' credit requisition purpose, and to evaluate the competency of employees in the bank. The study was conducted through convenience sampling method-survey via existing employees and its customers; the data collection was made using both questionnaires and interviews; the data collected was analyzed through frequency and percentage respectively.

The summaries are presented along research objective of assessment of credit management and collection policy is a vital issue for financial institutions; especially for the banks. The Intention behind that could be a demand of different internal factors of the company or different types of employees and customers reasons. Summaries have made by the researcher on the most important findings in relation to the raised research questions of the study. According to the findings, inhibited access to credits, satisfaction with credit approval as requested, credit provision service as expected, dissemination of information for customers, job experience, employees transfer, formal training program, current job satisfaction and open ended questions also were included.

The way credit is controlled in the bank is among the major strategies in managing credits; since poor credit control can increase the level of credit risk in the bank. This is reinforced to Kotoh's (2004) study. It's also found that it is the duty of the credit officers to investigate into the history of customers based on their past credits performance; If a customer were found to have kept fit with the bank by paying his indebtedness on schedule, then the credit officer would assume that all things been equal the customer could pay the new credits he/she wants to access based on his previous records. Based on their background, customers with good credits history easily get credits from the bank.

Perhaps, the customers will have an opportunity to get an access to credit with a clean base credit from the bank. On the other hand, if a customer is blacklisted because of his past records such as difficulty in repaying credits, such a customer is either given small amounts or denied completely. The study found that credits officers are able to categories the customers into those who are credit worthy and those who are not; each of these categories is treated on its own merit.

As this finding it could explain that the large number of employees' of the bank has common intention concerning to business viability, rigid collateral policy and cash flow at the bank; this shows the three vital variables were the main issues to increase access to credit or decrease to inhibited access to credit existing in the bank. Consequently**,** problems identified to reduce or increase access to credit is described depend on good business plan, in service training, functionality of credit department, education and reducing interest rate variables were the critical issues to enhance access to credit as well as reducing problems; however, due to changing nature of the environment, coupled with intense competition from other players in the industry, it becomes imposing for some of these issues to be relaxed in order to allow more people to access credit facilities.

According to the finding the respondents have been linked with banks credit policy, procedures, and directives got enough explanations where it's needed from credit officials; however, the employees thought that there was no formal and regular training program in connection with credit operation at the bank. However, based on employees' perspective they have believed that they are satisfied with their current job position; however, the employees have said that they were not satisfied with their current job position at the bank; but with regard to job dissatisfaction on current position; depended on human resource management strategy which were dissatisfied the employees and the later one was job promotion of the employees' dissatisfaction and the list one but not the last is bank's remuneration strategy dissatisfaction.

5.2 Conclusion

Headed for meeting of the stated objectives, the study prioritized in answering the subject matter of what is the extent of customer satisfaction comparing with credit amount and term approved, what are the major factors influencing access to credit in BriB? Are credit employee's competencies adequate to effectively execute and facilitate banks credit product? Finally, what are the researchers' recommendations to the excellence of banks credit management and collection policy? The result of the study refers most number of banks borrowers are dissatisfied in connection with credit amount and its term approved. The approved credit with its term, which is under their request and estimating the presented applicant's collateral below the real market value and the banks pre-requisition of high valued collateral for less amount of finance request with no considerations of the business finance purpose to be financed and other factors are mentioned as a main cause of dissatisfaction. The credit analysis and procedures, which is being followed by the bank, is lengthy and unwilling to approve adequate amount per the requisition and intended purpose of the business, requiring improvement so as to speed up, satisfy the delivery of credit to its customers, and become acceptable in the eyes of potential customers.

Aside the establishment of guidelines in access to credits, customers who want to access credits must meet certain conditions in terms of cash flows, purpose of the credit, amount, and age of customer, business viability and the provision of security in order to enhance access to credits. Even though business viability of the finance request is major factors of influencing access to credit facility according to respondents; averagely all criteria has its own significant contribution for the bank in determination of the finance. As qualified and experienced work force enhances competence, majority of employees of the bank are degree holders and highly experienced, this enables the bank to accelerate its service delivery and become competitive in the growing stiff competitive industry right now; to meet its vision “"To be the radiant and trustworthiness bank in excellence". There is also luck of credit processing knowledge or basic credit expertise gap at banks branch managers, which needs regular training program so as to update them with basic credit management skill. The research also proved that most number of employees of the bank has satisfied with their job, few numbers of respondents were not satisfied with current job position and they have justified relied on bank's promotion strategy contributed more to their dissatisfaction followed by human resource management and banks remuneration system. More of dissatisfied employee's responses the promotion strategies of the bank need revision.

Reporting is another element, which contributes to the precision of the bank's credit management and collection policy process. This research finds that credit management considers rigorous reporting standards important to maintain. From the study, it appears that reporting is comprehensive, consistent and regularly updated and reported to the board. However, the luck of up to dated network infrastructure poor (ICT) installation within the bank hinders the accuracy of credit information report of the bank.

In the above, the employees perspective has been described and identified based on the outcome of the study; now the customers' perspective will be clarified as a result of the study; convening to the finding was illustrated that satisfied customers can stay for long and built bank's reputation that is why the researcher initiated in understanding to what extent the banks customer (borrower) being satisfied; credit processing and lending function is the core product of all banks in general, as it contributes the major shares of revenue to its profitability in particular. In other words, credits and advances are known to be the main stay of all banks. They occupy an important part in gross earnings and net profit of the banks. The share advances in the total asset of the banks forms a lion share and as such, it is known as the backbone of banking sector. The strength and soundness of the banking system primarily depends upon health of the credits. Therefore, in order to promote the lending function to the required level, the bank should produce and follow credit policies, and procedures to attract potential credit customers and develop a long lasting borrower-bank relationship.

5.3 Recommendations

Based on the research findings, the following recommendations are advanced by seeing the conclusions drawn from the study, the researcher made some recommendations, which could improve the credit management and collection policy operated in Berhan international bank (S.C) in particular and at National bank of Ethiopian, private commercial banks in Ethiopia in general. Based on the finding the researcher recommended the following:-

Access to credit should be flexible so that customers can easily access credits, management should not rely on only customer history, cash flows and collaterals, but should look at the variability of business plan and the past financial statement to take a decision on the variability of credit worthiness.

As it is disclosed in the analysis part of the study most of the credit customers and bank employees have complaints on the credit policy and guidelines regarding valuing property offered for collateral, credit discretion, length of loan processing time, repayment schedule, and excessive requirements for analysis. These are the major factors impeding customer reputation and retarding to attract potential credit consumers. Hence, the bank should made remarkable changes on its credit policy and procedure guidelines regarding the above mentioned drawbacks in order to solve the current problems and achieve the customer reputation.

The bank should have to formulate strategy of training program in the form of regular, formal and continual basis for the branch managers focusing on quality credit management skill and knowledge. Since, the study refers there is credit analysis and management knowledge gap at some bank's branch managers. In addition, **ICT** infrastructure of the bank has to be improved so as to smoothly facilitate the credit management report between the branch and credit management organ of head office. On the other hand, the bank entails from the staffs especially credit officers are credit analysis skills, appraisal/estimation skills, and equipped knowledge of proper credit required skill.

The credit policy and procedure of the bank should incorporate the ideas of the customers and employees to become more competitive in the banking industry and meet its vision right now. In other words, it is better for the bank to make its credit policy flexible to meet its potential credit-customers and thereby putting a good administrative set up that improves credit lending and administration.

The current credit processing and approving directions of the bank are moderate inclined to be conservative especially regarding collateral and analysis. This is highly retarding the finance growth of the branches in particular and the bank in general. Hence, the bank should follow creative way of credit processing and approving direction that assists to meet the credit demand of potential credit applicants and the required level of mortgage growth as it is the main source of income for the banking industry.

Alongside with the usual collection techniques the following critical issues should be incorporated as rely on a single source of information in order to automate credit and collection access spending more time and soliciting to customers to repay; focus on the bank's priority accounts, make each conversation counts, and spend more time with delinquent customers.

Even-though the bank has Non Interest Bearing type of credit product, this study concentrated only on Interest bearing type of credit product. Therefore, the researcher recommends to others researchers to study both type of banks credit product so as to know their significant contributions to profitability of the bank and to improve their drawback which may hinder the bank's performance in the way of meeting its mission.

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APPENDEXIES A

SAINT MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

Dear participants,

I am conducting a study on "***ASSESSING CREDIT MANAGEMENT AND COLLECTION POLICY OF COMMERCIAL BANKS: IN CASE OF BERHAN INTERNTIONAL BANK.S.C*"**. This research is conducted in partial fulfillment of the masters of Degree in Business and Administration **(MBA**) at St, Mary's university school of graduate. The survey is intended to assess credit management and collection policy of commercial Bank from customer satisfaction parameters, factors affecting access to credit, and credit employee's competencies, taking ***BERHAN INTERNATIONAL BANK S.C*** as Case study.

Please note that the survey is developed to be anonymous and I, the researcher, will have no way of connecting the information to you personally or to your bank. The questionnaire will not take more than 15 minutes of your time. I do not foresee that you will experience any negative consequences by completing this questionnaire. The researcher will keep any individual information provided herein confidential, not to let it out of his possession, and to analyze the feedback received only at a group level.

It will be a great contribution if you may complete all the items covered in the questionnaire since your opinion is of utmost importance for this study.

I thank you in advance for sharing your valuable experience and time in completing the questionnaire.

Thank you very much in advance,

Kiross Tegegne Mekonnen

***Cell Phone**: +251-9-22-37-31-37*

Email address:kiramust@gmail.com.

Here are questions related to factors affecting access to Credit

(Questions to be answered by Credit employees of the Bank)

Instruction:

Please encircle or/and fill in the blank spaces your possible answer to the corresponding question and comment on open questions.

I. Personal Details:

1. Gender:

[A] Male [B] Female

2. Marital Status:

[A] Single [B] Married [D] Windowed [C] Divorced

3. In which age group do you belong?

[A] 18 – 29 [B] 30 – 39 [C] 40 – 49 [D] >50

4. Which level of education are you?

[A] Diploma [B] Bachelors (C) Masters [D] PHD [E] Others (Specify)………...

5. Indicate your experience in the banking industry

[A] Less than 1 year [B] 1 – 4 years [C] 5 – 9 years [D] 10-14 Years [E] 15+

6. Indicate your experience in bank credit processes

[A] Less than one year [B] 1-5 years [C] 6-10 years [D] 11-15 years [E] Above 15 years

II. Access to Credit

7. What are the factors that inhibited access to credits?

[A] Age of customer [C] Purpose of credit [E] Amount

[B] Customer History [D] Business Viability [F] Cash Flow

[G] Rigid Collateral Policy

Please specify if any, ________________________________ *N.B [Answering more than one is Possible]*

8. How can the problem identified be reduced to help increase access?

[A]-Education [C]-Flexible policy rules

[B]-Good business plan [D]-The credits department should be more functional

[E]-Reducing interest rate [F]-in service training

Others(pecify)____

____

____

I. Credit Employees Competency

9. Is your background of job Experience is relates from Credit management Department?

[A] Yes [B] No

10. If your answer to Question is **#9** is No; please specify your job background previous to entering credit related Operations.____

____

11. Is there the trend of transferring employees from non-credit department to credit department?

[A] Yes [B] No

12. If your answer to Question#11 is yes, what is the challenge with regard to credit responsibilities as compare to other tasks? And please specify the duties you have got?

____

____

13. Do you believe that non Credit related Experience of Employee can negatively affect Quality Credit Management Practice?

[A] Yes [B] No

14. If your answer to Question **#13** is Yes ; please make clear how it can affect the stated problems?____

____

15. Is there formal and regular training program in connection with credit operation?

[A] Yes [B] NO

16. If your answer to Question **#15** is yes; how many times you have taken per annum?

____.

17. Are you in line with banks credit policy, procedures and directives and got enough explanation where it's needed from Credit officials?

[A] Yes [B] NO

18. Are you satisfied with your current job position?

[A] Yes [B] NO

19. If your answer to question **# 18** is NO, which of the following may contribute to your job dissatisfaction?

[A] -I'm Dissatisfied with Banks Job Promotion strategy

[B] -I'm Dissatisfied with Banks remuneration strategy.

[C] -I'm Dissatisfied with Banks Human Resource Management strategy

[D] -Please specify (Other)

____

____

20. Any additional comments that you have regarding your credit management process will beappreciated:____

____

____

____

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APPENDEXIES B

Questions on Extent of Customer's (Borrower's) Satisfaction

(Questions to be answered by credit customers of the Bank)

Instruction:

Please **encircle** or/and fill in the **blank spaces** your possible answer to the corresponding question and comment on open questions if any doubt.

II. Personal Details:

1. **Gender**:

   [A] Male [B] Female

2. **Marital Status**:

   [A] Single [B] Married [C] Divorced

3. **Age:**

   [A] 18- 25 [B] 26-35 [C] 36-45 [D] Above 45

4. **Educational level**:

   [A] Diploma **[C**] Degree

   [B] MA **[D**] PHD **E**. Specify If Others………..?

III. Customer satisfaction

5. Are you satisfied with the Credit approved to your request?

   [A] Yes [B] No

6. If your answer to Question #5 is **No;** which of the following makes you dissatisfy**?**

   [A]- Banks credit decision makers approved the loan under your request

   [B]- Banks Engineer estimated your collateral below market value

   [C]-The time to decide on your loan request is too much long

   [D]- The term or mode of loan repayment is not as your request.

   [E]- Please specify if other

   ____

   ____.

7. If Your Answer to Question #**6** is (C); where are the credit decision response is delayed

    [A] At Branch of the Bank

    [B] At Head office organ of Credit Management

    [D] You do not know where

8. Have you met the credit provision service as your expectation?

    [A] Yes [**B]** No

9. If your answer to Question #8 is "No", Please explain the problems observed

    ____

    ____

    ____.

10. Are Credit officers and branch managers of the bank properly makes you informed on various credit products of the bank, required documents, banks Credit policy and Procedures ?

    [A] Yes [**B]** No

11. Are you satisfied on Banks request of Collateral so as to secure the loan under the question?

    [A] Yes [B] No

12. If your answer to question ***#11*** is **No;** which of the following banks procedure of Collateralization, hinders you from access to the finance support?

    [A] -The bank obliges building as collateral

    [B] -The Bank doesn't Consider Vehicles as Collateral for the finance of term loan

    [C] -The bank requires more valued property for short term or small amount of loan

    [D] -There is no elastic or flexible way of Collateral requirement

[E] -Please specify if any other____

APPENDEXIES C

INTERVIW QUSTIONIERS:-

1. What are the main barriers to lending in your Bank?
2. What activities have been taken to improve credit customers' satisfaction in connection with collateral Requisition and time consumed so as to approve the credit?
3. Do you think that all lending officers should acquire a required skill set i.e. specific education qualifications and experience?
4. Which qualifications do you think is of greatest benefit to your credit service?
5. How does the level of training contribute to credit management?
6. Do you think your current credit management process needs revision?
7. What extra elements do you think could be incorporated into your credit management process to make it more robust?
8. Are there any gaps in your credit management department reports?
9. What are the collection policy techniques do you follow?
10. What are the main challenges do you think your credit management department will face in implementing any necessary changes to your current credit management process?