ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

ASSESSMENT ON THE CREDIT MANAGEMENT PRACTICE OF ENAT BANK

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ADDIS ABABA, ETHIOPIA

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DECLARATION

I Mesfin Seyoum hereby declare that this thesis is my original work towards the achievement of master degree in business administration at Saint Marry University School of Graduate Studies. This work to the best of my knowledge that it contains no material previously published by another researcher or accepted of any other award of degree or masters.

Declared by:

Name: Mesfin Seyoum Yimam

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Date:_________________________

Place: St. Marry University, Addis Ababa

ENDORSEMENT

This thesis has been suggested to St. Marry University, school graduate studies for examination with my approval as a university adviser.

Abebaw Kassie (PhD)	________________________
Adviser	Signature
St. Marry University, Addis Ababa	March 2021

APPROVAL OF BOARD OF EXAMINERS

As a members of board of examining of the final MA thesis open defense, we defense that we have read and evaluated the thesis prepared by Mesfin Seyoum under the title “assessment on the Credit Management Practice of Enat Bank” we recommended that this thesis be accepted as satisfying the thesis requirement of the Degree of Master of Art in MBA

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GOD blesses you all!

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ACRONYMS

NPL- Non performing loans

SD- Standard Deviations

SPSS- Statically Package for Social Scientists

KYC- Know Your Customer

NBE- National Bank of Ethiopia

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CHAPTER ONE

INTRODUCTION

1.1 Introduction and Background of the Study

Lending generally is a comprehensive and integrated process which involves the preparation of instruments such as principles, policies, procedures, and systems; attracting, facilitating and evaluating potential borrowers to advance various types of loans and advances, providing of guarantees and assuring the manageability of the risks associated with it. Credit had a role to play from the early days of civilization. Nowadays credit implies monetary or monetary equivalent transactions. Financial institutions play a dynamic role in economic resource distribution of countries. They channel funds from depositors to investors continuously, that is effectively realized when income is generated enough to cover operation cost. (Joseph, 2013)

Despite the long history of traditional means of resource mobilization and financing such as Ekub, modern banking in general and credit in particular has a short history traced back to imperial regime which is started by establishing state owned banks which later includes private investment. However, during the time of Derg regime all the banks are nationalized and the number banks is limited to three i.e. Construction and Business Bank, Commercial bank of Ethiopia and Development Bank of Ethiopia.(NBE, Biritu Magazine)

With the introduction of free market economy in post Derg Era, and following the approval of banking proclamation i.e. licensing and supervision of banking business proclamation no: 84/1994 and 592/2008; the national bank of Ethiopia introduces directives and policies which allow the establishment of privately owned banks by the Ethiopian citizens in share company form. (NBE, Directive 84/1994 and 592/2008)

Currently a total 18 banks are operating in the Ethiopian banking industry and in which 16 are private. (NBE annual report, 2019/2020) and a dozen or more are coming as conventional and interest free banking in the coming few years. The existing banks are serving as a means of resource mobilization and source of finance for trade and investment. The study focused on Enat Bank considering their short history of stay in the industry.

1.2 Statement of the Problem

Lending and credit operation is one of the major reasons for the formation and operation of banks. It accounts significant amount of their total asset, and it is a major source of income. It plays a vital role in the economy through the facilitation of finance for trade and investment as well as being an economic and business institution.

Effective Provision of loans and advances and timely collection are the core activities in lending and credit management. to do so, it involves mobilization of resources, formulation of directives, policies, procedures, development of credit products for different target groups, processing and appraising of requests and formation well organized follow up and monitoring practices. Effective credit control doesn't just happen; it is the result of careful planning. Credit control is not an exact science. It takes dedication, hard work and discipline to set up and maintain a credit control function in line with your business commitments and future operations. (Jonathan, 2010). Moreover, healthiness and profitability of banks is highly dependent on the lending practice of the bank, that is, only high customer satisfaction and lowest non-performing loan ratio can provide that. Moreover, the banks credibility and liquidity positions are affected by the quality of their credit operation and lending practice. Therefore, to be effective in credit, banks must highly pronounce and assure quality lending which are to be expressed in quality credit analysis tools and techniques.

The industry has a total Deposit of birr 899,628,400.00, total capital of birr 101,500,000.00 loans advances of Birr 502,403,000.10 and operating in 5,564.00 branches. (NBE annual bulletin, 2019/2020)

The study covers only Enat Bank which is a late entrant on the industry. Their detail financial and other profile is presented as follows: (Enat Bank, Annual report, 2018/2019)

Table 1.1. Financial indicators of Enat Bank (IN 000'S)

Description	Reporting period	
	2018/2019	207/2018
Deposits	7,441,141	5,090,526
Loans and Advances	5,093,548	3,313,951
loan to deposit ratio	68%	65%
Interest income	742,829	489,608
Total income	982,648	751,261
Share of interest income from total income	76%	65%
Gross Profit	231,453	216,524
NPL Ratio	1.68%	1.98%

Source: Enat bank annual report, 2018/2019

Due to the significance of the subject matter on political, social, and economic policies; the area is assessed by many scholars. However, as a result of dynamic nature of the industry and strong link of the subject with all changing conditions in the economy makes the subject matter an active research concern. Moreover, still the banking industry in general and lending in particular is characterized by low level of satisfaction by many of the stakeholders which may results from lack of efficiency and effectiveness, quality of products, adaptability and formulation of policies and procedures as well as from the appraisal process and appraising factors. In addition, research addresses Enat Bank on a similar topic are not available so far. Therefore, the research is designed to assess Enat bank.

Studies by Yalemzewd (2014) and Ashenafi (2018) are conducted in relation to credit management focusing on Bunna International Bank and United Bank respectively which are conducted for academic purpose. Moreover, other researchers like Daniel (2019) Tekeste(2016) are conducted on related topics i.e. Credit risk management practice in Nib International Bank S.C and The Assessment of Credit Management Performance in Emerging Private Commercial Banks in Ethiopia: the Case of Berhan International Bank S.C respectively.

The study by Tekeste (2016) finds that; the overall credit management activity of the nib bank needs improvement in devising a strong follow-up unit, devising an office that can control the condition and sanctions at each approval document, establishing coordination among work units. While, Ashenafi (2018) shows the gap in credit products and recommended to be incorporated in his study at united bank.

Unfortunately the increasing competitiveness of banking industry in Ethiopia is posing series trait to the newest banks since their capacity to compete with the oldest players is limited by resource and experience. Credit is one of the major area that the newest entrants are facing series problem. In addition to unavailability of similar studies at Enat Bank with knowing the problem as an active practitioner is another factor for studying the issue. Moreover the study is also helpful for new entrants who are under establishment to use the findings rather than to refer on studies on senior banks. Credit is one of the major area in which Enat bank is facing problems and it is a major area of competition. Therefore, the study is intended to assess the credit management practices of Enat bank by considering the paramount significance of credit management in the bank and relative short stay in the industry and expected to address the research questions.

1.3. Research Gap

Many research works are done by different scholars and institutions both locally and internationally and some are discussed empirical literature review. However, credit is a dynamic concept which is needed be updated through time, and needs customization from country to country and bank to bank since governing rules and regulations vary across. Moreover the business and economic environments as well as technological advancements highly affect the banking sector. Therefore, credit remains an active research topic wherever and whenever. Moreover, the national bank of Ethiopia is revising its directives related to credit management as part of financial sector modernization plan and many entrants are joining the industry. The above changes need to be assessed in credit management of banks. In addition, related studies in Enat Bank are not available so far since they enter the industry soon which makes my study valuable.

1.4. Objective of the Study

1.4.1. General Objective

The General objective of the study is assessing the credit management practice of Enat Bank S.C.

1.4.2. Specific Objective

- To assess the effectiveness of credit policies and procedures.
- To assess the existing credit products quality.
- To assess the determining factors in credit assessment and appraisal.
- To review the follow up practice of the banks on the loans and advances.

1.5. Research Question

The study has the following research questions to be addressed:

- Are the directives, policies and procedures of the bank are effective?
- Does the existing credit products are quality and fit to address customer needs?
- What are the factors affecting the credit analysis and appraisal and what are the challenges?
- Do the banks implement an effective follow up and monitoring practice?

1.6. Significance of the Study

The study is expected to benefit the banking industry in general and banks under study in particular. Moreover, various stakeholders of the industry such as regulators, government policy makers as well as borrowers will be benefited from the findings and recommendations. The research will have the following benefits:

- The findings can serve as an academic input for the improvement of credit directives, policies, procedures and systems.
- Helps to design a prudent and effective lending practice in the industry.
- The research will also give insight for the new entrants to shape themselves as well as the findings will help the banks under study to initiate and implement improvements.
- It serves as an initial input for further studies in the area and stepping stone to find further research gaps.

- The business community which is in need or in future need, will be benefited from the research findings in order to shape themselves to work with the banks in their credit need.

1.7. Scope of the Study

Despite the paramount significance of lending in all 18 banks; the study considers only Enat bank considering the time and resource limitations as well as researchers need to focus on the primary data collected on census base. In addition; geographically, the study only includes branches and organs which are operating in Addis Ababa in credit operations.

1.8. Organization of the Paper

The research is organized in five chapters. The first chapter is about introduction and background of the study, statement of the problem, and objective of the study, research questions which are to be addressed in the study, the scope, significance, organization, and limitation of the study.

The second chapter provides a theoretical and empirical background about the subject matter under the study. The third chapter is about how the research is conducted technically stating the methodology, the population as well as sampling techniques used, how data is to be collected, organized and analyzed.

The fourth chapter is analysis and interpretation of data and findings through the use and application of different techniques and software. The research ends in presenting the summary of findings, conclusions, and recommendations in the fifth and final chapter.

1.9 Limitation of the Study

It would be better if the research incorporate at least the peer group banks and make comparisons of results to be more meaningful. However the outbreak of corona virus limits accessibility on data at other banks due to need to avoid common contact since banking staffs are among the primary risk group. In addition, most of the outlying branches are excluded from the study since their loan operation activity highly supported and processed in head office which makes their response irrelevant in the study. Moreover, the discussions on the interview question were also very limited since respondents are not interested in having long time discussion to avoid contraction of the virus.

CHAPTER TWO

LITRATURE REVIEW

This part of the study dedicated in providing enough theoretical and empirical backgrounds about the study and related issues.

2.1. Theoretical Literature Review

2.1.1. Definition of Credit and Credit Management

The word credit derives from the ancient Latin credere, which means “to entrust”or “to believe.” Through the intervening centuries, the meaning of the term remains close to the original; lenders, or creditors, extend funds—or “credit”—based upon the belief that the borrower can be entrusted to repay the sum advanced, together with interest, according to the terms agreed. (Jonathan & Etal, 2013). Credit is Trust given or received; expectation of future payment for property transferred, or of fulfillment or promises given; mercantile reputation entitling One to be trusted;—applied to individuals, corporations, communities, or Nations; as, to buy goods on credit. (Webster’s Unabridged Dictionary, 1913 Edition). Credit is one of the oldest innovations in commercial practice. Historically, credit has been defined in terms of the borrowing and lending of money. (Jeffrey & Etal, 2009)

In simple terms credit can be defined as; A transaction between two parties in which one (the creditor or lender) supplies money, goods, services or securities in return for a promise of future payment by the other (the debtor or borrower). Such transactions normally include the payment of interest to the lender**.** (Joseph, 2013)

Credit to happen there must be excess resources at one end and scarcity at the other end, this is where usually banks involve in the mobilization of resource from the mass that have excess to deposit and extend to those who identify business and investment opportunities in the form of loans and advances. The two most important things to consider about the borrower are the willingness and the ability to repay.

2.1.2. Role of Credit in Banks

Bank is an institution whose current operations consist in granting loans and receiving deposits from the public. (Xavier & etal, 2008) While the idea of debt extends back into ancient societies, the more modern notion of credit really began in preindustrial Europe in the context of commercial payments. Credit was typically extended by way of deferred payment for goods sold or advance payment for future delivery of goods purchased (Jeffrey & etal, 2009)

Banks have irreplaceable role in capital allocation, guidance of investment and risk sharing which lead to economic growth and development. Idle economic resources can be effectively put into use through credit. Borrowers who do not have enough resources to pursue an activity can borrow the resources, which can be returned to the lender after having achieved the objective. There is a practical difficulty for those with surpluses to identify potential borrowers. This is where financial intermediaries come in. Broadly, banks and other financial intermediaries collect economic resources – mainly in the form of deposits – from the public and engage in intelligent lending. Financial intermediaries play an important role in any economy. From a macroeconomic perspective, the main function of the financial system in any country is to mobilize resources for economic growth. The financial intermediaries not only intermediate between savers and investors but set economic prices of capital, in line with the monetary policy of the nation.(Joseph, 2013)

2.1.3. Credit Risk

Credit risk can be defined as follows: 'Credit risk refers to the probability of the loss (due to the non-recovery of) emanating from the credit extended as a result of the non-fulfillment of contractual obligations arising from unwillingness or inability of the counterparty or for any other reason.' If the probability of the loss is high, the credit risk involved is also high and vice versa. (Joseph, 2013)

According to (Jonathan & Etal, 2013) Credit risk may be defined as the risk of monetary loss arising from any of the following four circumstances:

- The default of counterparty on a fundamental financial obligation
- An increased probability of default on a fundamental financial obligation

- A higher than expected loss severity arising from either a lower than expected recovery or a higher than expected exposure at the time of default.
- The default of a counterparty with respect to the payment of funds for goods or services that have already been advanced (settlement risk)

Credit risk is also influenced by the length of time over which exposure exists.

Components of Credit Risk

At the level of practical analysis, the process of credit risk evaluation can be viewed as formulating answers to a series of questions with respect to each of these four variables. The following questions are intended to be suggestive of the line of inquiry that might be pursued.

The Obligor's Capacity and Willingness to Repay

- What is the capacity of the obligor to service its financial obligations?
- How likely will it be to fulfill that obligation through maturity?
- What is the type of obligor and usual credit risk characteristics associated with its business niche
- What is the impact of the obligor's corporate structure, critical ownership, or other relationships and policy obligations upon its credit profile

The External Conditions

- How do country risk (sovereign risk) and operation conditions, including systemic risk, impinge upon the credit risk to which the oblige is exposed?
- What cyclical or secular changes are likely to affect the level of that risk? The obligation (product): What are its credit characteristics?

2.1.4. Types of Credit

On the bases of different factors credit in banks can be classified in many ways: on the bases of tenor it can be classified as short term, medium term and long term loans. On the nature of how it is being utilized it can be classified as revolving and non-revolving and on the bases of the purpose to be used consumer and commercial and /or working capital and project financing.

Short, Medium and Long term loans: loans and advances with a tenor less than one year and revolving loans in nature are short term. While loans and advances with a repayment period between one year and three years usually considered as medium term. Loans with a tenor of more than three years are long term and usually given to project and capital investments.

Revolving and Non-Revolving: loans and advances with defined renewal period and without constant repayment are considered revolving such as over draft and pre-shipment loans. While loan and advances with defined tenor and repayment term are considered non revolving.

Commercial and Consumer loans: commercial loans are either working capital or project loans advanced for the purpose of commerce or consumer loan are for the purpose of personal use and consumption.

2.1.5. Factors Affecting Lending

Lending being the primary function of banks; it is affected by both the internal and external factors:

2.1.5.1. External

Political factors: The political situation both in the country and outside the country highly affects the lending practices of banks. Political problems hinder banks from advancing loans and vice versa.

Social & Economic factors: Favorable socio economic conditions creates both demand and supply for credit which enhances lending in banks such as increase in investment, social services trigger increase demand for goods and services which traders and investors look for loans.

2.1.5.2. Internal

Liquidity Position:

Liquidity is arguably the most difficult attribute for a bank analyst to explore.Not only are there myriads of possible ratios, each one offering its own reading of a bank's liquidity profile, often at odds with that provided by the other results, but a bank's liquidity changes by the minute (Jonathan and Etal, 2013).

According to Roberto &Etal **(2013)** the liquidity for the bank takes on an essentially protective meaning that is able to continuously ensure a state of technical solvency. In fact, the insolvency of the bank may be caused by technical circumstances related to insufficient cash reserves and by economic circumstances related to the inadequacy of the equity value. Indeed, there is a close connection and a relationship of alternative priority between these causative factors. During ordinary management, a bank is solvent if the three following conditions occur simultaneously:

- The ability to cope immediately, in both normal and stress conditions, with any request for payment emerging from a contractual obligation either Contingent or non-contingent for which customers can withdraw money. This depends above all, in the short term, on the availability of adequate cash reserves, as well as on the adoption of effective monitoring processes and appropriate operating systems that are able to meet any unexpected cash outflows;

- The ability to maintain a constant balance in the medium-long term between monetary inflows and outflows. This capacity depends mainly on the containment of the degree of maturity transformation operated by the bank and on the presence of a harmonious juxtaposition between the weighted average maturity of assets and weighted average maturity of liabilities, as well as on the proper management of cash flows arising from off-balance sheet items;

- The ability to absorb any losses without jeopardizing the rights of creditors. The greater the amount of equity, the lower the probability that the market value of assets falls below the market value of debts, resulting in a state of insolvency for the bank. However, as is known, since identical volumes of activity can incorporate very different levels of risk, it becomes essential to correlate the amount of overall risk borne by the bank with the minimum capital that it must hold.

Non-Performing loan:

Generally Loans and advances lags in the repayment for certain period of time are considered Non performing. The National bank of Ethiopia; Asset classification and Provisioning directive SBB/43/2007, Npl means loans or advances whose credit quality has deteriorated such that full collection of principal and/or interest in accordance with the contractual payment terms of the loan or advance is in question

Loans or advances with pre-established repayment programs are non-performing when principal and/or interest is due and uncollected fo90 (ninety) consecutive days or more beyond the scheduled payment date or maturity.

Overdrafts and loans or advances that do not have a pre-established repayment program shall be non-performing when:

- The debt remains outstanding for 90 (ninety) consecutive days or more beyond the scheduled payment date or maturity;
- The debt exceeds the borrower's approved limit for 90 (ninety) consecutive days or more;
- Interest due and uncollected for 90 consecutive days or more; or

For overdrafts

- The account has been inactive for 90 days or
- Deposits are insufficient to cover the interest capitalized during 90 (ninety) consecutive days or
- the account fails to show less than 5% debit balance at least once over 360 days preceding the date of loan review

Table 2.1. Classification of loan accounts as per NBE directive

S.No	Types of loans	Requirement	Status
1	Term loans	Not paid until 30 days	Pass
		Not paid between 31 to 90 days	Special Mention
		Not paid between 91 to 180 days	Sub Standard
		Not paid between 181 to 365 days	Doubtful
		More than 365 days	Loss

Source: NBE Directive

Diversification & Portfolio Mix:

The study and examination of credit assets from the portfolio perspective is highly useful. Consequently, many enterprises, especially financial institutions, are increasingly measuring and managing the portfolio credit risks. (Joseph, 2013). It is the interest and direction of the bank to maintain certain degree of mix in product type, loan tenor, sector, and the like.

2.1.6. Credit Analysis

Credit analysis refers to a critical assessment of the business entity or person to see whether it is strong enough to warrant lending of money to it. In general it is done to assess the credit worthiness of the borrower by screening the negative and positive aspects of lending to that entity. It involves the collection and verification of necessary information from the targeted borrower, different organizations as well as different publications in order to build better understanding about the borrower and his business. Credit analysis is highly dependent on the nature of the credit request and risks associated with it.

Whether the credit granted is for working capital requirements or for project finance, it is important to take a long-term view of the industry as well as the business position of a company while rating it and not just the underlying financials of the company. While assessing the financials of the company, the bank’s view on the trend in past financial performance, expected future financial performance, ability to raise funds and quality of financial statements submitted need to be taken into consideration. Also, it has been observed that management quality has a significant impact on a company’s performance, irrespective of the industry and business characteristics. All these features need to be captured and analyzed in detail. (Arindam, 2016)

Most commonly used parameters for lending are 5’C:

2.1.6.1. Character

It is an assessment of applicants past history in fulfilling obligations particularly of credit in nature which is done by using gathered information from creditors and repayment truck of past loans if there and generally a character to discharge other obligations such as tax.

How well you know the person or family or corporate group is a measure of the reputation, willingness to repay and repayment history of the borrower. This is a very important factor for evaluating firms as well as retail borrowers. For example, credit history or track record of the borrower, relationship between borrower and lender, age of the firm, etc. are factors that are generally qualitative in nature. Interestingly, the character factors can change over time and, therefore, banks need to track borrower information properly. (Arindam, 2016)

2.1.6.2. Capital

It is measure of the strength of the entity in financial terms i.e. how much of the business is owned by the entity and their risk appetite in the business. The higher share of capital on the business asset means that better qualified to borrow. This refers to how much is being asked for or the equity contribution of owner and its leverage position. For example, high leverage (i.e. higher debt to equity ratio) suggests greater chance of default than low leverage. Similarly, one can look into debt service coverage ratio, current ratio, interest coverage ratio, etc. (Arindam 2016)

2.1.6.3. Capacity

Generally capacity indicates the borrower ability to repay the loan from business sources in terms and conditions to be agreed by the bank and the client. It is a measure efficiency and effectiveness in the business. It helps in defining the tenor and mode of repayment of the loans. The ability of the borrower to repay can be captured through earnings and earnings volatility, asset growth, profitability ratios (e.g. return on asset, operating profit margin, etc.). (Arindam 2016)

2.1.6.4. Condition

It is an over view the banks internal condition and economy in general towards the specific request of the borrower including risk appetite for such businesses as well as portfolio mix and cyclicality. It means the conditions in the market, that is to say, the state of the business cycle (GDP growth rate, unemployment rate, demand growth, foreign exchange position, etc.). This is an important element in determining industry credit risk. (Arindam 2016)

2.1.6.5. Collateral

It is the banks last way out in case of default and a means of curbing willful defaulters. Collateral it is what is the applicant willing to put up from their own resources. In the event of default, a banker has claims on the collateral pledged by the borrower to limit its losses. The higher the value of the collateral (or margin) and its seniority standing, lower will be the exposure risk of the loan. (Arindam 2016)

2.1.7. Credit Management Instruments

Credit management instruments are a comprehensive set of principles and laws which used to govern the overall operation of credit in an industry or single bank. They are designed to bring about standardization and uniformity, enhance efficiency and effectiveness, to keep transparency and monitor the overall credit process.

2.1.7.1. Directives

Directives are a set of rules which are issued by the national bank of Ethiopia and other pertinent organs which directs the overall operation of banks. Mostly the national bank of Ethiopia initiates and controls their implementation of directives on the bases of banking business proclamation as sole regulatory body of the finance sector.

2.1.7.2. Credit Policies

Credit policies are a standard set of directions which are being referred for the general reference and attitude of the credit organ of the bank. It is derived from related laws: proclamations and directives. Mostly credit policies in banks are prepared by the executive management and approved by the highest governing body of the bank i.e. board of directors.

2.1.7.3. Credit Procedures

Procedures are a detailed document which explains the credit management process that starts with recruiting potential customers to establish credit relationship and ends up with full collection and/or write-off loans and advances. In compliance with directives, policy and other documents it helps in managing the operation and organs of the bank. It has a detailed set of products and specifies processing documents the advancement and collection of the loan.

2.1.8. Issues in Credit Management

Loan Delivery Time: It is a standard time set by the institution to give response for a specific credit request with the intention of managing the human and capital resources effectively and to provide convenient service for borrowers.

Credit Follow Up and Monitoring: It is an integral part of credit in banks which uses physical, financial and legal aspects of the loan after disbursement. It is done basically due to the following reasons:

- To insure the compliance with terms and conditions and end use of loans.
- To detect deviations and monitor the continued viability of operations.
- To make periodic assessment on the health of the loans.
- To identify early warning signals to avoid or minimize the risk arise from default

Loan Processing Documents: documents which are required to process a specific credit request which are used to fulfill legal and procedural requirements of the bank. It may differ from request to request.

Credit Risk Grading: is a system employed by the bank to differentiate the risk of a potential or existing borrower through setting different criteria in a uniform manner.

Loan Provisioning: it is amount which to be reduced from the bank income account as a contingency until the full amount of the loan is collected. The amount of provision is dependent the status of the loan. According to the national bank of Ethiopia directive: SBB/43/2007 the provisioning of loans is as follows:

Table 2.2. Status of loan and loan provisioning

S.No	Status of the loan	% required as a provision on the outstanding principal balance
1	Pass	1%
2	Special mention	3%
3	Sub standard	20%
4	Doubtful	50%
5	Loss	100%

Source: NBE directive 43

Note: Loans and Advances granted against cash and cash substitutes and either secured or issued by government are excluded from provision.

2.2 Empirical Literature Review

Some of the following studies are reviewed and used in my study to better understand the subject matter of my study. Their summary is presented as follows:

The study conducted by Hagos on the title "study of credit management– a case study of Wegagen Bank Share Company in Tigray region" starts by clarifying the importance of credit management in financial institutions such as commercial banks, micro finances and others. Then it attempts to identify the challenges in credit management at Wegagen Bank in Tigray region with a sole objective of evaluating the banks credit performance in compliance to national bank of Ethiopia directives and the banks internal policies and procedures through the use and analysis of both primary and secondary data. Finally the study has brought the following conclusions and recommendations:

- Most of the loans provided are on short term repayment schedule (Mostly for the purpose of working capital). This is may be due to the limitation of capital base of the bank. However, it is currently causing burden of installment repayment and most of loan clients preferred to be improved as most of the time faces difficulty to manage it accordingly. It is one of the causes for loan client termination.
- The collection techniques so far adopted by the bank is appropriate and convenient to most loan clients to manage it. Consistent to the convenience of the collection techniques, the repayment behavior of most loan client is improved to the required level revealing one step forward in the culture of meeting obligation and trustworthiness.
- The Bank is compliant to all directions of the regulating body in all of its activities of credit management. Hence the way of categorizing and holding provisions for the non-performing loans is as per the direction and requirement of the National bank of Ethiopia.
- The credit analysis and procedures which is being followed by the bank is lengthy and reluctant to approve adequate amount per the requisition and intended purpose of the business, requiring improvement so as to speed up and satisfy the delivery of loan to its clients and become acceptable in the eyes of potential customers.

The article published by Felix &etal under the title "Assessing Credit Risk Management Practices and Performance of Commercial Banks in Rwanda" with objective of addressing the relationship between credit risk and banks profitability through sample study on Banque Populaire Rwanda finds the following:

- The researcher further concluded that there is a direct relationship between credit risk management and profitability of the bank, so as a profit oriented organization BPR Ltd must improve on the available mechanisms of minimizing risks in order to make more profits.
- It was also concluded that although credit risk management is a major determinant of banks' profitability, there are very many other factors which have a direct influence on BPR Ltd's financial performance, so BPR Ltd must put measure to deal with them.

The study conducted by Daniel (2019) under the title "assessment of credit risk management practices in nib international bank S.C" with sole objective assessing the credit management practice at the bank. The study recommends the following:

- The study summarizes that the bank used different credit risk management tools, techniques and assessment models to manage their credit risk, the credit risk management and that they all have one main objective, i.e. to reduce the amount of loan default which is principal cause of bank failure.
- On the bank side there is a good measurement and analysis of risk, risk monitoring and controlling, credit risk analysis in general.
- Lack of adequate trainings and continuous updating of the level of staff competence may create poor credit evaluation, monitoring and recovery.

An article by Tadesse(2017) under the theme "Determinants of bank technical efficiency: Evidence from commercial banks in Ethiopia, with an objective of studying determinants of efficiency in commercial banks through the use of Tobit model by considering interest expense, non-interest expense and deposit as an input and interest income, non-interest income and loan as an output. The study conclusions vary across the banks; and strong capital base, return on asset, liquidity and market share have a positive impact on technical efficiency.

The study by Ashenafi(2018) under the thesis title "assessment of credit appraisal and management practice in case of United Bank S.C." provides enough theoretical and empirical backgrounds about the importance of credit in banks and uses all credit related staffs the bank as a sample and emphasizes in the conclusion that:

- The bank should incorporate sufficient credit products in its policy and make practical and marketable, so as to better satisfy its customers, and remain competitive in the industry.
- It's recommended that the bank should improve its coordination of workflow management system to create smooth and efficient communication and integration 56 between head office credit departments and branches, to avoid the time taking during loan processing and avoid customer complains.
- The bank is advised to keep up its strict adherence to national bank directives and other regulatory body regulations, to better provide quality loans and minimize credit risks. Moreover, it should look out credit customers in different credit risk measuring parameters, rather than focusing on fulfilling the physical documents.
- The bank should create a strong and efficient credit administration, monitoring, and controlling practice that regularly reviews loan files, scheduling post disbursement business visits to ensure whether approved loans are utilized for the requested purpose, and early loan workout and rescheduling mechanisms should exhaustively implemented to avoid non-performing loans and minimize overall credit risks of the bank.

Another article by Agu, & etal (2013) titled Credit Management and Bad Debt In Nigeria Commercial Banks –Implication For development examines the causes of bad and doubtful debt in Nigeria commercial banks and its implication on profitability and investors by using both primary and secondary data through the use of econometric techniques emphasizes Due to the fact that bank's primary function is to act as intermediary between savers and borrowers, the barometer for measuring their earnings is interest from lending. Lending is a risk. Moreover, the following points were recommended based on the findings:

- Banks Management should establish sound lending policies, adequate credit administration procedure and an effective and efficient machinery to monitor lending function with established guidelines.

- Finally, the financial institutions should all together, set up credit bureau system which is a form of data bank where every bank will submit the names of its defaulting customers for references by others. This will equally frustrate multiple borrowing from banks for the same purpose by the dubious customers.

The study also concludes , lending involves more risk than virtually any other banking activities. Not all loans should be granted. A profitable loan, which is not safe, should not be granted. The attitude of most borrowers towards loans and advance granted to them should not be ignored – as they regard such credit facilities as their own share of the national cake.

The study conducted by Tekeste (2016) under the title; the assessment of credit management performance in emerging private commercial banks in Ethiopia: the case of Berhan international bank S.C. with the aim of addressing credit management performance of the bank finds that impeding loan growth and rising loan clients complaint on the bank are regarding the lengthy of loan processing, amount of loan processed and approved, loan period, and discretionary limits affecting the performance of credit management. The overall credit management activity of the bank needs improvement in devising a strong follow-up unit, devising an office that can control the condition and sanctions at each approval document, establishing coordination among work units.

Consequently, the bank should conduct monitoring visit before and after disbursement of the loan, shortening of loan processing and advice customers and give technical support that help to minimize loan loss and diversion of loans.

Yonas Birhanu in his research in 2017 under the title "Assessment of credit management policy and loan collection problem in case of united bank S.C." by taking all 60 credit related staffs on purposive sampling through questionnaire concludes and recommends lack of proper monitoring was the main factor for diversions of fund and recommends the bank should considered different loan recovery method, like periodic credit call; review the applicant's previous track record; review credit risk rating and annual review of accounts; develop evaluation method of current business activity and market, identifying and examining the causes of defaults, and should look for any attachable property.

Article under the title "Credit assessment practice of a Commercial Bank in Bangladesh" by Rana-Al-Mosharrafa starts by emphasizing the importance of health of banking sector for the economy due the absence of capital market which can serve as alternative means of resource mobilization. The study uses both primary and secondary data to know about the practice and finds that:

- To improve credit management system of bank credit management policy provides directional guidelines to all concerned parties in credit operations.
- Lending procedure of a bank possesses some implied risk. Proper risk management and policy regulation can help to reduce such risk to a great extent. The bank maintains centralized credit approval system to mitigate the credit risk at sanction stage.

The conclusion and findings of the above studies reveals that considerable degree of knowledge and lessens are obtained in credit management i.e. credit policies, credit administrations, products and credit risk management. The studies are conducted across different time span and in different scope by using different methodology in different commercial banks which resulted differences in findings and recommendations. Similar researches on Enat Bank are not found. Moreover, the industry is highly characterized by rapid changes due to micro and macro variables and the credit topic is dynamic which means that the research topic is always an active researcher's interest. From the broader credit management concept this study only focuses on the effectiveness of credit policy, credit assessment practice, product quality and follow-up and monitoring issues.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This part of the study defines the research design used, source of data, the population used in the study and analyzed, sampling and data collection tools, data processing and analysis mechanisms implemented. First let's have a brief the bank

Vision: To become a bank of choice in Ethiopia by 2030, mainly by maximizing women's economic capabilities

Mission: To remain true to our name, set a trend in the provision of excellent and inclusive banking services mainly by focusing on women economic needs and taking advantage of the state-of-art-technology, innovation and professional workforce with the aim of maximizing the value of our shareholders;

Core values: Dedication**,** Approachable**,** Impartiality, Integrity**,** Concern for employees, Learning organization**,** Team work**,** Professionalism

3.1. Research Design

The study will mostly use a descriptive method of analysis through survey method for the data to be collected from primary and secondary sources. Descriptive methods of analysis use quantifiable data to generate statically outputs to describe the population on the research variables. The researcher has no control over the variables; he can only report what has happened or what is happening (Kothari, 2004).

3.2. Sources of Data:

Both the primary and secondary sources of data are collected from credit related staffs of the banks under the study and publication of the bank.

3.2.1. Primary Source:

Primary source of data is collected from targeted respondents in open ended and closed ended questionnaires to obtain qualitative and quantitative data. Moreover, interview is also conducted on few staff of the bank selected on basis of seniority and exposure. The questionnaire is referred from past researches such as (Ashenafi, 2018) “assessment of credit appraisal and management practice in case of United Bank S.C.” And (Daniel,2019) “Assessment of credit risk management practices in Nib International Bank S.C.” with modifications from the advisor and experts in credit management and addition of contemporary topics.

3.2.2. Secondary Source

The secondary sources of data are NBE and the banks publications, reports, and procedures other related documents which are useful to obtain data and information about the bank and banking industry.

3.2.3. Data Collection Instrument

Both the questionnaire and interview which are used to collect data are structured. The results are summarized and organized in quantitatively and qualitatively respectively. Quantitative research involves studies that make use of statistical analyses to obtain their findings. Qualitative research involves studies that do not attempt to quantify their results through statistical summary or analysis. (Geoffrey &etal, 2005)

The questionnaires and interviews are developed on the basis of addressing the research question and objectives. To develop the questionnaire and interview questions on researches in similar topics are referred and advise from credit professionals is obtained to include contemporary issues.

3.3. Population and Sampling

3.3.1. Population

The study population is limited to credit related staffs of the bank. Only staff members in Addis Ababa branch and head office are considered in the population. Head office staffs means that officers and managers working in credit related area i.e. credit analysis and appraisal, follow-up and monitoring, work out and risk officer, auditors in credit area and other members of the credit committee. Branch staffs include credit officers and branch managers.

3.3.2. Sampling

A sample design is a definite plan determined before any data are actually collected for obtaining a sample from a given population (Kothari, 2004). The sampling technique used to address the population is census considering the all related staffs at the bank since the size of the population is limited to 64.

Table: 3.1 Sampling Distribution

S.No	Type of respondent	Number of staff	Sample size	Response in percentage
1	Branch Managers	17	17	100%
2	Credit analysts /Appraisals	8	8	100%
3	Portfolio/Follow up officers	6	6	100%
4	Loan officers	15	15	100%
5	Auditors	16	16	100%
6	Risk and compliance officers	2	2	0%
Total		64	64	

Source: Enat Bank human resource management department

3.4 Data Presentation and Analyses

Statistical package for social science (SPSS Version 20) is used as a main tool in analyzing the quantitative data collected through questionnaire which is expressed in likert five factor scales. This will be presented in tables and charts and will be explained in the form percentage, mean, standard deviations which are descriptive in nature by comparing with acceptable standards. Qualitative data which is obtained from the targeted sample through interview will be summarized and used for narrative analysis.

3.5. Validity and Reliability

3.5.1. Validity

Validity is the extent to which a concept, conclusion or measurement is well founded and likely corresponds accurately to the real world. The validity of the measurement tool is the degree to which the tool measures what it claims to measure. (Wikipedia) Or the ability of an instrument used to measure what it is intended to measure (Leedy & et al 2005). The research is censuses based considering the small size of the population and questionnaire questions are referred from similar researches topics with modifications, and advice from advisor and credit experts which assures their validity.

3.5.2. Reliability

Reliability is a measure of consistency, it explains how the instruments used in the study in the same was and conditions give a similar result. In this study cronbacks alpha is used to measure the reliability of the instruments. The overall cronback's alpha test result 0.8 which well above the minimum of 0.65. The cronback's alpha results for each question are presented below:

Table 3.2. Reliability test results

S.No	Research question	Number of questions	Cronback's alpha result
1	Effectiveness of policies and procedures	11	0.74
2	Credit products quality	6	0.73
3	Factors credit analysis and appraisal	10	0.70
4	Follow up and monitoring	6	0.72

3.6. Ethical Considerations

The study takes in to consideration all ethical elements i.e.

- All the staffs involved in the questionnaire and interview are participated willingly
- The purpose of the research is communicated fully.
- None of the respondent identified and confidentiality is under at most care.
- The analysis and interpretations are on the bases of data collected.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1. Introduction

This part of the study is comprised of presentation of collected data from the banks credit and credit related staffs through questionnaire and interview from the banks' credit and credit related staffs. In addition, summary and analysis of the data is conducted through the use of SPSS version 20.The data's are presented using tables analyzed and described through percentage, frequencies, mean and standard deviation. The descriptive results implications are explained, analyzed and interpreted.

The analysis starts with providing demographic information about the survey participants and survey response in terms of sex, age, education level, service year, and credit exposure and questionnaire response. Followed by the detail analysis and interpretation on the assessment of credit management practice of the bank through questionnaire and interview results of the research question i.e. effectiveness of policies and procedures, Quality of Credit Products of the banks, factors in credit appraisal and assessment and Effectiveness of follow up and Monitoring.

4.2. Survey Result

As described in the methodology part of the study, it is census based in Addis Ababa staffs. For a total of A total of 66 questionnaires is distributed to the bank staffs and 62 of them are collected and the remaining 4 are not collected due to absence of some staffs for health reasons. The questionnaire response to distribution ratio is 94% which is believed acceptable.

4.2.1. Respondents Profile

The respondents profile is basically classified in five major categories i.e. sex, age, education level, experience in banking and experience in credit and current position. The detail profile of the respondent is presented as follows:

Table 4.1. Respondent's profile

S.No	Profile of description	Category	Frequency	Percentage
1	**Sex**	Male	32	51.6%
		Female	30	48.4%
		Total	**62**	**100.00**
2	**Age**	20-29Years	12	19.4%
		30-39Years	48	77.4%
		40-50Years	2	3.2%
		Above 50Years	0	0%
		Total	**62**	**100%**
3	**Education level**	Diploma	4	6.5%
		Degree	13	21%
		Masters	45	72.6%
		Other	0	0%
		Total	**62**	**100%**
4	**Service year**	1-5 Years	14	22.6%
		6-10 Years	27	43.5%
		11-15 Years	15	24.2%
		16-20 Years	4	6.5%
		21-25 Years	2	3.2%
		Above 25 Years	0.	0%
		Total	**62**	**100%**
5	**Service year in credit**	Less than 1 Year	17	27.4
		1-5 Years	8	12.9%
		6-10 Years	15	24.2%
		11-15 Years	16	25.8%
		16-20 Years	6	6.9%
		21-25 Years	0	0%
		25 Years Above	62	100%
		Total		
6.	**Respondent profile**	Credit Related Dep't /Division manage	**17**	**27.4%**
		Credit Analyst/Appraisal	**8**	**12.9%**
		Credit/Loan Officer	**15**	**24.2%**
		Audit Officer	**15**	**24.2%**
		Credit Portfolio/Follow-up and monitoring Officer	**7**	**11.2%**
		Credit Risk & Compliance Officer	**0**	**0%**
		Total	**62**	**100%**

Source: Questionnaire Response and SPSS data

The demographic variables comprised of six categories which are believed to be important for the study. The first is sex which is helpful to show the distribution of respondents between men and women. This is specifically relevant not only for the study rather to see that since the bank is being promoted by and focused on women's, helps to see the participation of women's in credit management and operation. As we can see from the above table nearly half of 48% of respondents are women.

The education level respondents are an important factor for making informed decisions as it represent knowledge and skill. As we can see from the above table 72% of respondent have second degree which indicates they are well educated while the remaining are BA degree and diploma holders.

Age, over all service year and experience in credit operations generally shows the extent of exposure of respondent in the study variables. Nearly 78% of the respondent's age ranges between 30 to 39 years. In addition, 68% of respondent have an experience ranges between 6 to 15 years and 50% of the respondents have an experience in credit operation from 6 to 15 years. From the distribution of respondents we further understand that, the respondents are well experienced professionals of banking in general and credit operation in particular.

The last aspect of the demographic data is their specific area of operation i.e. the response is distributed all players in credit management except risk and compliance officers which are not found at the time of data collection. From the response 27% is filled by managerial staffs and the remaining are officers at different level.

4.3. Assessment on Credit Management Practice

Credit is one of the core services that the bank renders to its customers. The bank strives to render its services in a way that surpasses the expectation of its customers and other stakeholders. This research is mainly designed to address the credit management practice of Enat Bank through selecting the four components in credit management practice which are summarized in four questionnaire categories i.e. effectiveness of policies and procedures, factors in credit appraisal and assessment, quality of products and follow up and monitoring practice which has a total of 33 questions and their result is summarized and analyzed through a statistics software SPSS version 20.

The responses from respondents collected through the Likert five scale ranges from strongly disagree to strongly agree represented from 1-5 respectively assuming equal range between them. The collected data is summarized in a way suitable for descriptive analysis and outputs are mainly standard deviation to measure the extent of response distribution and mean as measure of tendency.

In addition, the interview questions are intended in obtaining some additional insight about the research questions from credit practicing managers for issues not raised by the structured questionnaire. The interview is conducted to four individuals, two branch manager, credit analysis manager, portfolio manager to obtain a comprehensive opinion about the questions.

The research analysis is presented as follows:

4.3.1. Assessing the Effectiveness of Policies and Procedures,

Credit Policies and procedure are the basic written instruments which the bank highest management body board of directors is tasked for its approval depending on the preparation and recommendation of the management in adherence to National Bank of Ethiopia proclamation and directives. Assessing the effectiveness of policies and procedures is helpful to ensure standardization and uniformity in credit process, and enhance efficiency and effectiveness across the credit practitioners among many. Therefore, a total of 11 questions are developed to assess the effectiveness of policies and procedures. The response on its assessment about its effectiveness is tabulated as follows:

Table 4.2. Assessing the effectiveness of policy and procedure

Statements		Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Mean	SD
		FQ	%	FQ	%	FQ	%	FQ	%	FQ	%		
4.2	**Effectiveness of policy and procedure**											3.59	0.44
4.2.1	Strategic objective are in live with the credit policies			6	9.7	4	6.5	50	80.6	2	3.2	3.77	0.66
4.2.2	Directives, policies, and procedures are clear to understand					6	9.7	41	66.1	15	24.2	4.15	0.57
4.2.3	Credit risk is well managed by the policy and procedure			7	11.3	24	38.7	26	41.9	5	8.1	3.47	0.80
4.2.4	Credit policy and procedure are helpful in maintaining quality portfolio			6	9.7	8	12.9	39	62.9	9	14.5	3.82	0.8
4.2.5	Credit policy and procedure are effectively implemented			8	12.9	17	27.4	31	50	6	9.7	3.56	0.84
4.2.6	Credit policy and procedure allow flexibility in decision			9	14.5	18	29	23	37.1	12	19.4	3.61	0.96
4.2.7	Credit policy and procedure allow to address exceptional request			14	22.6	17	27.4	26	41.9	5	8.1	3.35	0.93
4.2.8	There is in consistency in the implementation of credit policy and procedure across different organs of the bank			10	16.1	23	37.1	24	38.7	5	8.1	3.39	0.86
4.2.9.	The policy and procedure is sufficiently discussed for amendment	3	4.8	11	17.7	11	17.7	35	56.5	2	3.2	3.35	0.98
4.2.10	The bank has an effective tool of credit analysis			5	8.1	12	19.4	40	64.5	5	8.1	3.73	0.73
4.10.11	There is a timely revision of policy and procedure			19	30.6	13	21.0	25	40.3	5	8.1	3.23	0.99

Credit Policies has to be in line with the strategic objective of the bank to obtain all necessary human and non-human resources for its effective implementation. Regarding the strategic objectives is in line with credit policies; the majority 52(83.9%) respondents are agreed and/or strongly agreed with a standard deviation of 0.66 and mean of 3.77 which implies the complementarity of the two instruments in higher degree.

Regarding the clarity of policies, procedures and directives, much of the respondents 52(83.9) agreed with mean of 3.77 and standard deviation of 0.66 indicating less dispersion among respondents. The results implied that the bank is in good position in preparation and implementation of clear policies and guidelines. Clarity in policies and guidelines is indicative of mutual understanding among all credit players in the bank and helpful in giving standard information and service to customers.

Credit risk management is a key factor to success as well as existence of any banks since credit accounts significant portion of the bank assets and generates much of income. One of the means to manage this risk is preparation and implementation of appropriate credit risk policies and procedures. In relation to the management of credit risk by policy and procedure as an instruments shows only 31(50%) of the respondent agree about its existence. which shows significant gap in the institution with this regard even though the mean and standard deviations are 3.46 and 0.8 respectively. Nearly 24 (25%) of the respondents are neutral which shows the necessary work that should be done to address this important aspect of credit management within the bank since neutral views on the subject matter are concentrated highly.

To properly identify measures and mitigate risks; maintaining proper portfolio mix or avoiding unnecessary loan concentration by economic sector, loan life, by product type, geographic area as well as by number of borrowers. Collected response about helpfulness of policies and procedures in maintaining quality portfolio, shows the mean result is 3.82 and standard deviation of 0.80 with 78.4% respondent agree/strongly agree on its helpfulness. This implies the bank has adopted a credible policies and procedures to maintain quality portfolio in particular and asset quality in general. The result partly reflected the recent impact of outbreak of corona virus i.e. since some specific sector and loan types are highly affected and the other experienced moderate impact.

Not only well articulated, written and adopted policies are important for effectiveness of credit management moreover, Effective implementation of policies and procedures is key for effective credit management practice, the respondents response about the effective implementation of policies and procedures is mixed i.e. 8 respondents disagree, 17 respondents are neutral, 31 respondents agree and 6 strongly agree with the mean value of 3.56 and standard deviation of 0.84%. Considering the high degree of clarity existed in the above discussion, the results imply that the need to improvement on the area considering its high degree of significance for the overall credit management process.

Flexibility in decision is a room for pragmatism and providing convenience for customers. To be effective in credit the policy and procedure documents should allow this to some extent with attaching proper follow up and measurement of results. The results shows that 35(56.1%) of the respondents agree and or strongly agree on the allowance given for flexibility in policies and procedures, with the mean value of 3.61 and standard deviation of 0.96. this indicates the banks delegated authorities have a desecration to exercise flexibly on credit decision if it is deemed necessary for the bank interest.

Regarding response for the question about provision of allowance of policies and procedures to address exceptional requests, the mean value is 3.35 and standard deviation 0.93 which implies that even much of the response tend to agree, not easy number of the population is disagree and the response across is dispersed at least in relative terms even though 50% of the population is agreed and 18% of the population is neutral. Therefore, there has to be improvement in way to address exceptional requests

Credit decisions across the bank are mostly decided on committee's formed for this purpose. In most cases branches are delegated for the recruitment and recommendation of credit requests while credit management department with the executive management is responsible for approval. Hence, Consistency in the implementation of policies and procedures across different organs of the organization is important. The response obtained with this regard has a mean value of 3.39 and standard deviation of 0.86. However, significant numbers of respondents 23 are neutral and only 29 of them agree and /or strongly agree which clearly indicate the existence of inconsistency across the different organs and or individuals of the bank. This inconsistency may arise from different reasons such as the branches mostly acts on behalf of the customers since their primary target an objective is to attract and retain customers while head office organs are equally focus on the post approval issues.

The policy and procedure documents should always be open for revision to cope with the changes across time. In addition the bank should also adopt bottom up approach to be inclusive in the improvement process. The respondent's response with this regard has the mean value of 3.35 and standard deviation 0.98. The results are disbursed and the mean value is closer to neutral indicting the gap on the issue. Hence, the next revision must have sufficient discussion across the all players.

In addition to the formulation of policies and procedures, developing an effective tool of analysis helps in avoiding adverse selection on credit. Regarding the existence of effective tool of credit analysis and appraisal, 45(72.6%) of the respondents are agreed. The mean and standard deviation values are 3.73 and 0.73 implying better consensus among the respondent on the issue.

The timeliness of revision of policies and procedures has mean value of 3.26 coupled with standard deviation of 0.99 and only 30 respondents are above neutral response and 13 are neutral; it is fair to conclude that the timely revision of policies and procedures is in question and an important area to be address.

In General, response obtained about the effectiveness of policies and procedures has grand mean of 3.59 which implies much of respondents are either agree and/or strongly agree with less dispersion of results and has a standard deviation of 0.44. Therefore, from this study we understand the effectiveness of the banks policy and procedure said to be effective. However, the detail results indicate that there are specific areas which are needed to address to remain competitive in industry.

The results and findings from the interview about effectiveness of banks credit policy and procedures emphasized more or less similar results with questionnaires. However, the interviewees reflected the following opinions to cope with changes in the industry as well as to fit the growth of the bank.

- The branch managers said the financial analysis tools being used for advancing credit are little bit conservative particularly in the documents they demand. Therefore, needs to improve too soon to remain competitive in the industry as well as to provide quick and convenient service to customers. Hence, they suggested that some procedural limitations with this regard must be addressed to quickly. Moreover, they emphasized that the need to strong training on all stakeholders for effective understanding and implementation consistently across all organs of the bank.

- The managers in credit department are very much concerned about consistent and strict implementation of the policies and procedures to comply with the regulatory organ demand as well as to maintain quality asset. In addition the effective implementation of policies and procedures at the bank is showing rapid improvement since participation in credit related workshops are in quick development. The recent revision of procedure of the bank has addressed the problems raised before.

The concern over the deviation of the issue is expected even though they are operating for the same objective but with two different dimensions. The issues raised are believed to be very much relevant for improvement.

4.3.2. Assessing the Quality of Credit Products of the Banks

The banks should always give wide range of products to suit with the existing and future demands for customers in order to maximize profit. Product quality is a key success factors for any organization particularly for banking industry which is highly characterized by stiff competition and fast product revision. The credit product quality can be measured by various elements of the products including customer satisfaction and product range. Therefore, a total of six variables in six questions are considered for this research purpose. The response obtained about the six credit product quality questions is tabulated below:

Table 4.3 Assessing the quality of Credit Products of the Banks

Statements		Strongly Disagree		Disagree		Neutral		Agree		Strongly agree		Mean	SD
		FQ	%	FQ	%	FQ	%	FQ	%	FQ	%		
4.3	**Assessing quality of Credit Products of the Banks**											3.38	0.60
4.3.1	Customers are satisfied with the bank products			8	12.9	13	21.0	38	61.3	3	4.8	3.58	0.78
4.2.2	Tenor of credit products covers the required range	3	4.8			13	21.0	43	69.4	3	4.8	3.69	0.78
4.3.3	The bank covers all areas of the economy			28	45.2	9	14.5	16	25.8	9	14.5	3.10	1.14
4.4.4	The bank has good appetites for clean loan	5	8.1	25	40.3	12	19.9	16	25.8	4	6.5	2.82	1.11
4.5.5	Portfolio mix of the bank is helpful to address different demands of the customer	3	4.8	9	14.5	19	30.6	31	50.0			3.26	0.88
4.6.6	Interest rate and other fees are fair			3	4.8	11	17.7	40	64.5	8	12.9	3.85	0.70

Credit is being the major income source for banks and particularly of Enat Bank, and customer is life line for banks in general; developing products suit the customer need and different criteria's must always be a key concern. The response regarding the extent of customer satisfaction about the bank credit products has a mean value of 3.38 and standard deviation of 0.60 which 41(66%) respondents are agreed and or strongly agree. The mean result is closer to neutral than agree or strongly agree implying a gap in a customer satisfaction about the bank credit products. Considering the industry high degree of competition, the degree of customer satisfaction needs to be improved even though it is not directly reflected by customers and it needs to be improved.

The life of the loan has different meaning for different parties involved for example long term loan means less repayment amount for customers, more interest for income in finance terms and relatively high risk for credit and risk and compliance aspects and vice versa. Hence, Overwhelmingly 46(74.2%) of the respondents agree that the bank credit products have enough tenor with mean of 3.69 and standard deviation of 0.78. It implies the range included in the bank credit products fulfills much the customer demands as well as associated credit issues and the products are said to be very good with this regard.

The other area of concern in measuring product quality is it scope of sector to be served i.e. availability to agricultural, industrial and service sectors and each sub sectors. The bank avails loans to all economic units. However, its concentration and focus varied across different sub sectors. The bank products have significant limitation regarding the economic sectors which are being served by the bank credit products as indicated by the mean of 3.10 and standard deviation 1.14 which meant that the respondent are very close to neutral and responses are highly disbursed across the ranges.

The other area of credit product quality especially from customer’s perspective is availability of clean loans. This is important especially when it is needed to be competitive in some sector of the economy such as export. The response In relation to appetite for clean loans indicates that majority of the respondents disagree implying the bank has no enough appetite for the clean loans which is explained by the mean value of 2.82 and standard deviation of 1.11 from a total of 62 respondent 30 respondent disagreed. Therefore, the bank should improve the attitude and appetite towards clean loans.

Maintaining proper Portfolio mix is one of the key responsibilities in the credit management of the banks. In doing so, one area of maintaining proper mix is product variety. However, it is not easy to meet it particularly with strong customer satisfaction and regulatory requirement. The survey finds out that, Majority 31(50%) of the respondent believe that portfolio mix policy of the banks is helpful to address customer needs. The mean and standard deviations are also 3.26 and 0.88 which relative nearness to neutral and disperse which is partly as a result of high neutral response 19(30%).

The pricing of products as explained by interest rate and other fees in the variable formation shows agreement about its fair ness by 48 respondents which accounts 77% of the response. The mean and standard deviation values are 3.85 and 0.69 which implies majority of them are closer to agreement with moderate dispersion of responses.

The assessment on credit products quality has an overall grand mean of 3.38 and standard deviation of 0.60 which generally implies much of responses from the respondents are agreed about the credit products quality. However, the responses for detail questions has a mean range from 2.82 to 3.85 and standard deviation of 0.6 to 1.14 which shows different assessment of respondent for different aspects credit product quality which necessitates its importance to focus on each questions and formulate proper action for each issues.

The interview results show some variation from the survey results. The variations may come as result of different things but the major one is believed to be their area of operation and closeness to the clients. Branch managers are of concerned with additional development of customer suited products while credit managers are more concerned about risk and follow-up aspects of the products. As same as the results in the survey which implied high customer satisfaction and good tenor loans respondents appreciated the variety of the bank credit products. Moreover, branch managers also mentioned the absence some products and recommended the following type products to be developed and kept in the bank shelf.

- Personal type loans targeting the diaspora community for the purchase of houses, vehicles and shares in business to meet the growing demand as well as to support the foreign banking operation in the generation of foreign currency.
- Saving linked loans i.e. the depositors saves certain portion of the requirement through time in a regular pattern and the remaining part will be covered by the bank as loan for the purchase of various things such as vehicle.

4.3.3. Assessing factors in Credit Appraisal and Assessments Practice

The credit appraisal and assessment is a key process in credit management which involves much of the bank credit human resource since proper know your customer and due diligence must be conducted prior to advancement of any loan. The branch manager and or credit directors are responsible organs in thebank in recruitment and origination of credit requests and appraisal and assessment begin in the branches. A total of 10 questionnaires which are assumed as factor for credit appraisal are incorporated in this section of the study and the detail analysis is presented in the table below:

Table 4.4 Assessing the factors in credit appraisal and Assessment

Statements		Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	SD
		FQ	%	FQ	%	FQ	%	FQ	%	FQ	%		
4	**Assessing the factors in credit appraisal and Assessment**											3.47	0.83
4.4.1	The bank has clear loan processing guideline	3	4.8	4	6.5	2	3.2	44	71.0	9	14.5	3.84	0.93
4.4.2	Loan approving committee /organ are well organized			7	11.3	7	11.3	40	64.5	8	12.9	3.79	0.81
4.4.3	Analysis results are basic factors for lending decision			6	9.7	12	19.4	26	41.9	18	29.0	3.9	0.94
4.4.4.	Past history of borrowing /track record is considered for lending decision	3	4.8	3	4.8	6	9.7	33	53.2	17	27.4	3.94	1.00
4.4.5	Capital strength and financial standing are key factors in decision					11	17.7	40	64.5	11	17.7	4	0.60
4.4.6	Repayment capacity and cash flows are key factors in decision					3	4.8	37	59.7	22	35.5	4.31	0.56
4.4.7	Credit request seasons/period affects credit decision			3	4.8	13	21.0	33	53.2	13	21.0	3.90	0.78
4.4.8	Loan is processed and approved timely and effective workflow existed			23	37.1	15	24.2	18	29	6	9.7	3.11	1.03
4.4.9	The bank frequently face resource gaps to lend			13	21	18	29	24	38.7	7	11.3	3.40	0.95
4.4.10	Portfolio mix policy poses problem in lending decision	3	4.8	11	17.7	19	30.6	29	46.8			3.19	0.90

As it is been discussed in the previous part of this research; the very basic purpose of credit appraisal and assessment to conduct proper KYC and due diligence i.e. to measure the client request from the perspective of 5‘Cs i.e. character, capital, condition, capacity and collateral.

The response for the clarity of credit processing guideline has a mean value of 3.84 and standard deviation of 0.93 with majority 53(85%) of respondents are either agreed and or strongly agreed. The values shows strong tendencies among the respondents to call the processing guide line are clear with moderate dispersion of responses. it indicates the fact that the question regarding the clarity of the processing guideline is minimal and the bank can provide convenience service to credit clients in early stage of loan processing and approval.

The existence an effective flow work among different credit practitioners is also important for the credit appraisal process. It is explained by the organization of credit processing staffs approving organs. It defines the communication and accountability each organ an important in addressing customer demands. Majority 48(79%) respondent with the mean value of 3.79 and standard deviation of 0.81 agreed that the loan approving committee or organs are well organized and effective workflow existed which implies quick and sound decision making capability which are considered key aspect of credit operation quality.

Not only the formulation sound policy and procedures, rather it also the implementation of effective tool of analysis which matters for prudent lending decision an incorporation of those tolls of analysis in decision making. Regarding the use of analysis tools for decision making; 44 respondents with mean of 3.9 and standard deviation of 0.94 said the bank credit decision basically dependent on analysis results. The results indicate there is a high tendency for respondents to conclude that approvals are results of appraisal and analysis rather than merits not related to credit. From a total of 62 respondents 18 of them strongly agree on the statement.

Response regarding the consideration of past history of borrowing /track record for lending decision account significant section of the customer character. Past history of borrowing includes repayment trend of existing loans in the banks as well as in other banks if there. The response obtained with this regard has mean value of 3.94 and standard deviation of 1. Which indicates the variable is being considered well in credit decision making. 50 respondents tend to agree and or strongly agree on the response.

Assessment of capacity, in terms of the capital strength and financial standing is another important variable in doing credit assessment and appraisal. It indicates the shock and change absorbing capacity of the business as well as availability of financial resources for the intended business. The results with this regard has a relatively concentrated in few response area i.e. 11 (13.5%) respondents are neutral, 40(77%) agree and the remaining 11 %(13.5%) strongly agree which has a mean value of 4 and standard deviation of 0.6 implying better censuses among the respondents. overwhelming majority 51(90%) responded to agree.

Repayment capacity and cash flow generation capacity are the fundamental concerns of any credit appraisal process since the parameters are significant for credit decision terms such as repayment period and mode of repayment and assurance for the repayment of the loans. the respondents witnessed the fact with high mean value of 4.3 and standard deviation 0.56. from total respondents ,59(95%) of responses say either agree or strongly agree regarding the question which symbolizes the better common judgment and incorporation of repayment capacity and cash flow generation in the analysis system.

Seasonality of credit request is one key area which highly affects the credit requests by affecting the condition of the bank. More widely the seasonality affects credit management by a decision to keep the bank liquid and or prioritize few sectors of the economy. More practically export loans have better accepted from the period of august to December since most agricultural productions are on the market during the production period. The mean result for this fact is 3.9 and standard deviation is 0.78 with respondents 44 (71) tend to agree which shows significant impact of season for credit requests.

The timely processing and delivery of credit is a key concern in credit management process. It is directly associated customer service quality as well as the existence of prudent lending practice arguably by most credit experts. However, the response of respondents with this regard id highly dispersed with standard deviation of 1.03 and mean which is close to neutral i.e. 3.11. The banks weak position with this regard is the prime concern for improvement especially when the fact is combined with the existence effective work flow as discussed above. The reason for lack of timeliness in credit management must be investigated and solved.

The other area which is important and respondent's response distributed about the availability of resources in the bank to lend since it highly affects the credit management process. The mean value at this point is 3.4 and standard deviation 0.95 which signals the bank resource mobilization gap and or liquidity concerns. Only 31(50%) respondents believe there is resource availability for credit processing.

The last and important factor for credit appraisal and assessment is negative impact of portfolio mix policy on credit management of the bank which the response has a mean value 3.11 which close to neutral and standard deviation of 0.9

The grand mean and standard deviation of the factors in credit appraisal and assessment are 3.47 and 0.83 respectively. The responses for the questions are which tilted to agree accounts 67.7% of the total respondents. The detailed means ranges from 3.11 to 4.31 and standard deviations from 0.56 to 1.03 which implies there is strong variation among each questions of factors in credit analysis and appraisal which indicates specific measures are needed to improve it.

The results obtained from the interview align with the fact that the loan processing time long beyond reasonability due to different reasons including lack of resources on the hand and inability of customers to fulfill documents on the other hand. The other opinion given by the branch managers concentrated on the fact that credit decision and analysis must give due emphasis on the relationship aspect to attract new customers as well as to retain the existing one since the industry competition is increasing. However, managers at credit level emphasized that to focus on objective realities in credit analysis rather than subjective aspect of customer's character and relatisohip. Moreover in order to bridge the gap they suggested credit relationship managers to be assigned or deep trainings and practices must be given to enhance their capability and understanding.

4.3.4. Assessment and Effectiveness of Follow up and Monitoring Practice

Lending decisions can be made on a sound credit risk analysis, appraisal and assessment of credit worthiness of customer of borrowers. In addition, past records of satisfactory performance and high integrity of customers are no guarantee for the future even though they serve as a useful guide to project about the future unless they are supported by prudent follow up. Adequate follow up and monitoring of loans advances must always be a key concern in banks credit management process to maintain the bank asset quality and profitability. Hence, proper follow up and monitoring is highly linked with the timely collection of loans and advances.

The monitoring and follow up practice of the bank assessed through six major questions which are highly related to it.

Table: 4.5 assessing the effectiveness to follow up and monitoring

Statements		Strongly disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	SD
		FQ	**%**	**FQ**	**%**	**FQ**	**%**	**FQ**	**%**	**FQ**	**%**		
4.5	**Effectiveness to follow up and monitoring**											3.47	0.83
4.5.1	The bank has enough periodic credit reports to follow the status of loan and advances			9	14.5	8	12.9	31	50	14	22.6	3.81	0.95
4.5.2	Regular follow up and business visit practice is strong			17	27.4	21	33.9	18	29.0	6	9.7	3.21	0.96
4.5.3.	Proper use fund is assessed by post disbursement visit and assessment	6	9.7	11	17.7	14	22.6	25	40.3	6	9.7	3.23	1.15
4.5.4	The follow-up and monitoring organs of the bank are well organized	8	12.9	8	12.9	7	11.3	36	58.1	3	4.8	3.29	1.16
4.5.5	The bank has well organized credit relationship management	6	9.7	6	9.7	10	16.1	27	43.5	13	21.0	3.56	1.21
4.5.6	The bank has a meaning full credit risk grading system			5	8.1	11	17.7	39	62.9	7	11.3	3.77	0.76

One of the key instruments which are helpful for establishing proper monitoring and follow-up on loans and advances is availability of enough periodic reports for credit accounts status. Account status reports the most important tools that we can be able to trace the loan situation in earliest possible time. The position of the bank with this regard has a mean value of 3.81 which implies the majority of respondents 45 (73%) tend to agree about the existence of periodic reports and standard deviation value of 0.95 reveals the value is distributed well across the ranges.

As most experts in credit agree regular follow up and business is important part of credit management. It is helpful for early diagnosis loans and advances problems as well as to establish sound credit relationship with customers. It makes the relationship mutual and increases the understanding and communication of both the client and bank. The reaction of credit practitioners regarding the question Regular follow up and business visit practice is strong, near to neutral which only 24 (39) respondents agreed which supported the fact that the mean and standard deviation 3.21 and 0.96 respectively. Despite its paramount significance the actuality in the bank is in question and needs additional measure to improve it.

Assessment on the Proper use fund is assessed by post disbursement visit and documentation is another area which helps the banks credit management system will be strengthened since it is vital to avoid the risk of diversion i.e. use of fund for purpose other than mentioned and approved in the loan process. The respondents response for this variable has a wide variation with standard deviation of 1.16 and the mean value 3.23 which closer to neutral even though 31 (50%) are tended to agree.

The other aspect used to assess the institutional arrangement for the monitoring and follow-up practice which explained by questioning the follow-up and monitoring organs of the bank are well organized. The response of the customers has a mean value of 3.29 and standard deviation of 1.16 which 39 respondents either agree or strongly agree on the variable.

In relation to the overall credit relationship management practice of the bank is responded with highly diverse range with standard deviation of 1.21 and responses ranged from strongly disagree to strongly agree even though the mean value 3.56 which is inclined to agree.Therefore, the credit relationship management practice the bank must always get due attention and bank should work on the matter.

Credit risk grading is a system is employed by the bank to differentiate the degree of credit risk of borrowers. It is a standard system employed by the bank. Hence, one of the dimensions of proper follow up and monitoring is credit risk grading system application and use of it. The existing crediting rating system is said to be good since much the respondents 46(74%) agreed on it and the question has a mean of 3.77 and standard deviation of 0.76.

The respondent's response in general has grand mean of 3.47 and standard deviation of 0.83 and the response for each question ranges from 3.21 to 3.81 in terms of mean and 0.76 to 1.21 in terms of standard deviation indicating range of responses for the different types of variables. The credit follow-up and monitoring practice of the bank needs series improvement.

The follow-up and monitoring activities in the bank involves both the branch and credit management department. There exist a monthly and weekly reports about the status of the loans and advances which consolidated by the credit management for own consumption and as input for the decision of executive management. The opinions both the branch managers and credit managers regarding the follow up practice of the bank among all interviews is that post disbursements follow up for all loans and advances must be a must in regular pattern. Moreover they implicated that the institutional arrangements with this regard needs to be improved.

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMNEDATIONS

This part of the study intended to address the findings, conclusions and recommendation of the research. The research is intended to assess the credit management practice of Enat Bank with four specific objectives tried to be addressed by respondents through questionnaire and interview. First the findings of the study are summarized and then conclusions made on the findings and the last researcher suggests solution for the findings.

5.1. Finding of the study

It is agreed that the banks credit policy and procedures are vital for the proper function of credit operation and fulfilling the demand of customers. The opinion given by the respondents about their effectiveness is mixed. The findings summarized below:

- Arguably the results and analysis indicates that bank policy and procedures are in line with the bank strategic objective and policy and procedures are clear to understand. Moreover, the policy and procedures are effectively implemented and employed an effective tool of analysis, found to be suitable to maintain the portfolio mix policy of the bank and somewhat allows flexibility in decisions.
- The policy and procedures have limitations in credit risk management and addressing exceptional credit requests. It is also found that the implementation of the policy is partly inconsistent across different organs of the bank. In addition; the revision of the policy and procedures documents also failed to be inclusive and lack timeliness.

In Generally the product shelf the bank has a variety of products to be attractive for customers and fulfill customer needs. However, it is also learned on the interview that inadequacy of personal type loans products. The responses vary across different aspects of the product. The findings indicate that the credit products have a good customer acceptance. The tenor (loan life) and the price measured by interest rate and other fees are considered good about the products by the staffs participated in the research. However, the products are not good in meeting demand for clean loans and addressing different sectors of the economy.

Assessing factors in credit appraisal and assessment was the other area assessed during the study. It shows that the bank has a lot to do for improvement. The findings indicate the processing guideline is clear to be followed and the bank has well organized organs for decision making on credit matters. The important parameters in credit analysis such as cash flow, capital, track record and financial standing are properly used in the appraisal and assessment process. But, the research finds that the loan processing time is long and availability of resources for advancing loans in in question some times. In addition, maintaining the portfolio mix policy has imposed problems in loan processing since requests types and available funds don't much always.

The study on the follow up and monitoring practice indicates the availability of timely reports, existence of meaningful risk grading system and good credit relationship. While the practice is ineffective in post disbursement follow up activities including business visit and fund utilization assessment as well as the existence of institutional arrangements to proceed with.

5.2. Conclusions of the study

Generally the research basic objective of assessing the banks credit management practice to address the research questions is found effective. The overall conclusion based the finding indicate the bank credit management and its practice needs improvement particularly in areas of credit risk policy formulation and implementation, product development and modification to enhance products quality and acceptance. Moreover, there is a series problem in loan processing time as well as revision of policies. In addition, the follow up monitoring practice should be strengthened to remain competitive in the industry and to maintain the quality of asset. Moreover, additional efforts are also needed to further improve effectiveness of policies and procedures in specific areas as well as the credit analysis and appraisal practice for prudent lending practice.

5.3. Recommendation of the study

Based on the depth examination and analysis of findings, the following recommendations are forwarded to help improve the credit management practice Enat Bank.

- For the timely identification of credit risk and to keep asset quality the bank must adopt the credit risk management tool as effective and accepted as credit analysis tools. In addition, the policy of the bank should incorporate the mechanisms to address exceptional requests and clean loans for valued customers in order to meet their needs and expectations and stay competitive in the market. The culture of discussion among stakeholders of the bank to identify the problem areas in policy and procedure and timely revision of working documents is needed to bring about censuses between practitioners, incorporate all available facts and bring coherence across all organs of the bank.

- The product shelf must add additional loan products targeting personal borrowers both in diaspora and here. Moreover the bank should incorporate products suitable to other sectors of the economy. Hence, the sub sector base of the bank portfolio must be widened in adherence to the regulations of the national bank of Ethiopia. Additional sectors of the economy to attract potential borrowers from every corner of the economy.
- To keep the customers satisfied as well as to attract new customers the loan processing time and loan delivery time must be reasonable and competitive in the industry the work flow and processing process should also be assessed by additional studies if this are source for delayed credit request response. Moreover, the mobilization of resources must be stepped up to help in reducing the loan processing time.
- The follow up and monitoring wing of the bank should be strengthened both in human resources as well as development of systems and must perform post disbursement follow up on loan in cooperation with branches with strict guideline.

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St. Mary's University

School of Graduate Studies

RE: Questionnaire

Dear Sir/Madam

I'm a student of St. Mary's University undertaking a study on master of Business Administration, and I'm conducting my postgraduate thesis on "Assessment on credit management Practice in Selective Private Commercial Banks." as partial fulfillment of the requirement of degree of masters, I would appreciate your favorable considerations the enclosed questionnaire the research endeavor. Your response to this Questionnaire will serve as a source of information for the thesis. Any response you provide here is strictly held confidential and will be used exclusively for the research purpose only. Your honesty and professional response is vital for the research outcome to be reliable and generate valid conclusions and recommendations.

HOW TO COMPLETE THE QUESTIONNIERE

Please answer the questions by making either (√) in the appropriate box or whichever the mark that best describes your situation that corresponds to the most appropriate response in each point, you may also write if any additional points supposed to be raised in the space provided at the end of every section.

I thank you in advance for your cooperation.

For any clarification and help please don't hesitate to contact me on +251-91-1541482 or my email address: mesmufc@gmail.com

PART 1. SOCIO & DEMOGRAPHIC PROFILE OF RESPONDENTS

1.1. What is your sex

Male ☐ Female ☐

1.2. Which age group do you belong?

20-29 ☐ 30-39 ☐ 40-49 ☐ above 50 ☐

1.3. Your level of education?

Diploma ☐ First Degree ☐ Masters ☐ Other ☐

1.4. Banking Experience

1-5 years ☐ 6-10 years ☐ 11-15 years ☐

16-20 years ☐ 21-25 years ☐ above 25 years ☐

1.5. Indicate your experience in credit operations

Less than one year ☐ 1-5 years ☐ 6-10 years ☐

11-15 years ☐ above 15 years ☐

1.6. Your current position in the bank

Credit Related Dep't /Division manager ☐ Credit Analyst/Appraisal ☐

Credit/Loan Officer ☐ Audit Officer ☐

Credit Portfolio/Followup and monitoring Officer ☐

Credit Risk & Compliance Officer ☐

Part 2. Research Questions

Please indicate the degree of agreement or disagreement on the statements regarding the credit management of your bank.

1. **Assessing the effectiveness of policies and procedures**

	Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1.1	Strategic objective are in line with the credit Policies					
1.2	Directives, Policies and Procedures are clear to understand					
1.3	Credit risk is well managed by the policy and procedure					
1.4	Credit Policy and procedure are helpful in maintaining quality portfolio					
1.5	Credit Policy and procedure are effectively implemented					
1.6	Credit Policy and procedure allow flexibility in decisions					
1.7	Credit Policy and procedure allow to address exceptional requests					
1.8	There is in consistency in the implementation of credit policy and procedure across different organs of the bank					
1.9	The policy and procedure is sufficiently discussed for amendment					
1.10	The bank has effective toll of credit Analysis & Appraisal					
1.11	There is a timely revision of Policies and procedures					

If you believe there are factors that affect effectiveness of policies and procedures in your bank other than the above mentioned, please list and explain how?

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2. **Assessing the Quality of Credit Products of the banks**

	Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
2.1	Customers are satisfied with the bank products					
2.2	Tenor of credit products covers the required range					
2.3	The bank covers all areas of the economy					
2.4	The bank has a good appetite for clean loans					
2.5	Portfolio mix of the bank is helpful to address different demands of the customers.					
2.6	Interest rate and other fees are fair					

What are the specific and general weaknesses of credit products in your bank? Please mention

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3. **Assessing the factors in credit appraisal and assessment**

	Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
3.1	The bank has a clear loan processing guideline					
3.2	loan approving committee/Organs are well organized					
3.3	Analysis results are basic factors for lending decision					
3.4	Past history of borrowing/track record is considered for lending decision					
3.5	Capital strength and financial standing are key factors in lending decision					
3.6	Repayment capacity and cash flows are key factors in decision					
3.7	Credit request season/period affects credit decision					
3.8	Loan is processed and approved timely and effective work flow existed					
3.9	The bank frequently face resource gaps to lend					
3.10	Portfolio mix policy poses problem in lending decision					

Do you think that the credit management practice is not fulfilling the interest of both the bank and customers?

YES ☐ NO ☐

If your answer is yes, please notify the gap:

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4. Assessing the Effectiveness of follow up and Monitoring

	Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
4.1	The bank has enough periodic credit reports to follow the status of loans and advances					
4.2	Regular follow up and business visit practice is strong					
4.3	proper use fund is assessed by post disbursement visit and assessment					
4.4	The follow-up and monitoring organs of the bank are well organized					
4.5	The bank has well organized credit relationship management					
4.6	The bank has a meaning full credit risk grading system					

What do you suggest to improve the follow-up practice of your bank?

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INTERVIEW QUESTIONS

The following are the interview questions to be presented to department /division and some Branch Managers.

1. How do you see effectiveness of policy and procedures? Any policy and or procedural limitations to improve credit management? If there what are? How can be used to improve?
2. Is there any suggestion to introduce new credit products and/or to suspend any of the existing? Why?
3. Do you think the bank has a sound credit analysis and appraisal practice? If yes/or how?
4. Do you see any gap in the follow-up practice of the bank? If yes what are?