CREDIT RISK MANAGEMENT AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS: A CASE STUDY OF STANBIC BANK

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A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION OF UGANDA CHRISTIAN UNIVERSITY

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DECLARATION

This statement of originality states clearly that I, AMPULIRE IAN VICTOR, am fully responsible for the writing of this Research Report, which I have never presented in any capacity in this university or any other university. This report bears all my original findings that I have made personally, with acknowledgements to where necessary.

Signed ..... Date..15th/05/2026

APPROVAL

This is to certify that this research dissertation titled "Credit risk management and financial performance of commercial Banks" has been written by **Ampulire Ian Victor** under my supervision and is now ready for submission with my approval

Signature..... Date...16/04/2026.....

Dr Nyamuyonjo David

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ABSTRACT

The purpose of this research is to investigate how credit risk management affects the financial performance of Stanbic Bank. The following were the Specific Objectives of the study:

To investigate the effect of Credit monitoring, Credit Risk assessment and Credit Risk policy on the financial performance of Stanbic bank. A descriptive cross sectional research design was used where both qualitative and quantitative research approaches were employed in data collection. 59 respondents were sampled for the study where data was collected through questionnaires. Quantitative data was analyzed using measures of central tendency while qualitative data was analyzed using correlation and regression analyses.

A high positive significant relationship was found between credit monitoring and financial performance. Also, a high positive significant relationship was found between credit risk assessment and financial performance. Lastly, a high positive significant relationship was found between credit policy and financial performance

It is found out that credit monitoring, credit assessment and credit policy have strong and statistically significant positive impact on financial performance of the bank.

The study concludes that efficient management of credit risks using proper credit risk monitoring, assessment and policies in the institution can result to significant positive effect on the financial performance of the bank and vice versa. It is suggested that in order to attain the required revenue from sales and profit, the financial institutions should adopt the following philosophy: continuously identify the sources of credit risk and classify them to assist in conducting credit risk assessment; continually conduct the analysis of available credit risk information and use responsive credit risk estimation techniques/models in the industry and finally strengthen the credit mitigation and monitoring strategy through proper training and allocations of necessary resources for credit recovery.

CHAPTER ONE

1.1 Introduction

This chapter presented the introduction, background to the study, problem statement, purpose of the study, objectives, research questions, scope of the study and significance of the study.

1.2 Background of the study

The banking industry is an essential element of any economy since it serves a crucial function in the process of capital formation, resource distribution, and macroeconomic stability. The financial system, especially the commercial banking system, works as an intermediary in the collection of savings by surplus entities and their investment in productive activities, hence ensuring the growth and development of an economy. While the financial system plays a crucial role in the development of economies, it is vulnerable to different kinds of risks that undermine its sustainability. In this regard, risks refer to the possibility of experiencing unfavorable consequences, including financial losses, liabilities, and economic instability, due to either internal factors or economic disruptions.

The credit risk category, which is considered among others within the various types of risks encountered by financial institutions, stands out as the most prominent form of risk. Credit risk can be associated with the possibility of default on the part of borrowers who cannot afford to repay their loans according to the terms of their contractual agreements. This type of risk is inevitable for any financial institution, such as banks, which are established mainly to provide services related to credit. It has thus been termed as "the king of risks."

Credit risk has a significant effect on the quality of the loan portfolio maintained by banks. Deficiencies in the internal structure, such as improper credit assessment, monitoring, and risk management may cause an increase in the number of non-performing loans (NPLs). Non-performing loan ratio, which refers to the proportion between the number of bad loans and gross loans, is one of the important indicators used for measuring asset quality and soundness of institutions. Higher number of NPLs creates problems with liquidity and capital adequacy (Das & Ghosh, 2013).

It is, therefore, vital for managing credit risk within the banking industry to ensure financial stability and profitability. Several empirical investigations reveal that credit quality deterioration is among the key reasons for underperformance in banks. In less developed countries, with financial systems still in their formative stages, the impact of ineffective credit risk management may be even more devastating, potentially triggering a banking crisis that impedes economic growth (Shukla, 2015).

Banking sector efficiency and stability are correlated with national economic development as well. Banking sector helps in trading, entrepreneurship, and capital formation, serving as an engine of economic growth. The stability of the banking sector not only ensures safety for depositors and investors but is also a source of job security. Hence, any inefficiencies in risk management within the banking sector have wide-ranging repercussions for the entire economy (Ahsan, 2016).

The practice of credit risk management involves several variables related to internal factors specific to the bank and external macroeconomic variables like inflation, interest rate, and economic growth. Credit risk implies the likelihood of default by the borrower, which leads to a loss of part or all of the principal and interest revenue. Default is a situation that impacts cash flow and recovery cost, thus impacting the financial performance of banks negatively (Mohiuddin, 2014).

Measuring the financial performance of commercial banks can be done through several variables like ROA, ROE, Net Interest Margin, and profitability ratios. Considering the fact that most of the income of the bank is obtained from lending practices, credit risk management plays a critical role in the profitability and sustainability of the institution. Therefore, credit risk management has become an integral part of banking practice today, as it is necessary for remaining competitive and surviving long term (Kattel, 2016).

1.3 Statement of the Problem

Banks and SACCOs contribute significantly to the process of financial intermediation through mobilization of savings and conversion of these savings into loans and advances, which become the major sources of income for most commercial banks. Nonetheless, while credit growth has been increasing in tandem with the growth of the economy in Uganda, the credit risk

management processes have not kept up with the pace of credit growth. In many instances, credit growth has been achieved through aggressive lending, inadequate loan applicant analysis, and poor monitoring systems, leading to an increase in non-performing loans. Financial institutions are thus exposed to greater default risks, low-quality assets, and instability in their finances.

While the empirical literature clearly appreciates the role of credit risk in influencing bank performance, the majority of previous research has been carried out in varied economic and regulatory conditions, including those not in Uganda, thus possibly failing to reflect the peculiarities of the banking industry in Uganda. Moreover, previous literature has largely approached the concept of credit risk in a generalised manner without adequately considering the contribution of individual aspects of credit risk, including credit assessment, monitoring, and recovery in shaping financial performance. Furthermore, there is a lack of adequate and recent empirical information regarding the impact of increasing loan portfolios in relation to economic fluctuations and institutional inadequacies on financial performance in Ugandan commercial banks.

Considering the continual increase in credit risk and its consequences, it is important for commercial banks to adopt more effective approaches in managing credit risk through proper evaluation of borrowers, efficient monitoring of loans, and implementing efficient recovery measures. In terms of research, it is important to study the association between credit risk and financial performance in the Ugandan banking sector to provide contextual evidence. The empirical evidence generated will assist policymakers and commercial bank managers in developing better strategies to mitigate credit risk and improve asset quality, profitability, and overall financial stability of commercial banks (Kargi, 2011).

1.4 Purpose of the study

The purpose of the study was to investigate the effect of credit risk management on financial performance of commercial banks

1.5 Research objectives

i) To determine the effect of credit monitoring on financial performance of Stanbic bank

ii) To establish the effect of credit assessment on financial performance of Stanbic bank

iii) To determine the effect of credit policy on financial performance of Stanbic bank apart from credit risk control.

1.6 Research questions.

i) What is the effect of credit monitoring on financial performance of Stanbic bank?

ii) What is the effect of credit assessment on financial performance of Stanbic bank?

iii) What is the effect of credit policy on financial performance of Stanbic bank?

1.7 Scope of the study

1.7.1 Subject scope

The study focused on the effect of credit risk management on financial performance of commercial banks using Stanbic bank as a case study.

1.7.2 Geographical scope

The study was conducted at the Stanbic Bank Mukono branch in Central Division, Mukono District, which is located in the central region of Uganda, 24 kilometers away from Kampala City, since it was easily accessible to the researcher during data collection.

1.7.3 Time scope

The study considered Stanbic bank employees who have been working with the Bank at least for four years. This period enabled the researcher come up with coherent information from the respondents.

1.8. Significance of the study.

The study can assist future scholars undertaking similar studies in their academic work. This is because the study can add knowledge to their literature review by including empirical results and theories that will be used as a basis for conducting similar studies.

The study can assist the government in formulating policies that can regulate credit lending organizations, especially in crisis periods like the COVID-19 pandemic or economic depression. The results from the study can be used to formulate stronger policies for regulating such institutions.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviewed the existing body of knowledge on credit risk management and financial performance of financial institutions. It was structured under the headings of introduction, theoretical review, actual literature review and summary of the chapter.

2.2 Theoretical Review

The current research is based on Credit Risk Theory, which describes how financial organizations can control the risk of losses resulting from the inability of borrowers to comply with their contractual commitments. According to credit risk theory, the practice of lending has an element of uncertainty because of the presence of information asymmetry between the creditor and debtor. Generally, debtors are more knowledgeable regarding their capacity and motivation to repay debts than banks. In such circumstances, lenders are vulnerable to issues of adverse selection (selection of borrowers who pose risks) and moral hazard (undesirable actions by debtors after obtaining the loan).

According to the theory, banks need to analyze, measure, monitor, and manage their credit risks in order to ensure good asset quality and bank profitability. The techniques used for credit appraisal include the 5 Cs of credit – character, capacity, capital, collateral, and conditions. Banks can avoid non-performing loans (NPLs) through proper credit appraisal. Non-performing loans directly influence the profitability, liquidity, and capital structure of the bank. As the NPLs increase, the provision for loan losses will be higher, along with lower interest income and investor confidence, leading to low ROA and ROE.

In addition, Credit Risk Theory emphasizes credit monitoring and diversification. Credit monitoring allows banks to detect warning signals before the occurrence of default. The bank can then restructure the credit facility or increase the collateral to minimize losses from a possible default. Diversification among industries and different borrowing segments reduces

concentration risk. As a result, the loss incurred when a borrower defaults is lower. This helps maintain stability and profitability within the organization.

As far as commercial banks are concerned, good credit risk management can contribute positively to improving the quality of the bank's loan portfolio and hence enhance income stability, as well as capital positions. On the contrary, poor credit risk management can result in high default rates, regulatory issues, and financial difficulties for the bank. It is due to these reasons that Credit Risk Theory is a very appropriate framework in analyzing credit risk management practices and financial performance.

2.3 The effect of credit monitoring on financial performance

The recent literature stresses that credit monitoring plays an important role in the process of credit risk management and directly influences the financial performance of financial organizations. The Basel Committee on Banking Supervision (2017) states that banks should develop continuous credit monitoring procedures for tracking possible changes in the risk level of borrowers and detecting warning signs of default. Since exposure to borrowers may change throughout the period due to different factors such as macroeconomic trends, market conditions, and individual characteristics, monitoring ensures a decrease in informational asymmetry and moral hazard.

Monitoring includes staying in constant touch with the borrowers, analyzing their financial statements, studying their cash flow trends, visiting them physically, and regularly updating the credit records and risk assessments. There is empirical proof indicating that banks that have an active interaction with borrowers will be able to notice any problems regarding loan repayment and refinance the facilities before the loans turn non-performing (Khan, Ahmad & Gee, 2020). Monitoring of the cash flow movements in the borrower's account can also help banks detect early warning signs such as decreasing sales or abnormal repayment patterns (Ekinci & Poyraz, 2019).

In modern times, credit surveillance is dependent on risk management techniques, including financial covenants, collateral management, loan syndication, and credit derivatives. Such devices are used to minimize risks and spread risks. As per Noman, Pervin & Chowdhury (2017), efficient collateral valuation and enforcement of financial covenants lead to a

considerable reduction in non-performing loans (NPLs). This results in enhanced ROA for banks and increases financial stability. Likewise, the process of loan syndication and securitization allows banks to allocate risks.

The competency of credit personnel as well as the state of technology also significantly affects the efficiency of monitoring processes. According to modern research findings, skilled credit officers who can effectively utilize Management Information Systems (MIS) are more likely to make accurate credit assessments and monitor the status of loan portfolios (Abdullah & Rahman, 2021). Digital credit monitoring allows for real-time analysis and prediction, which contributes to improved decision making and increased efficiency of operations. Nonetheless, technology is not enough in itself; skilled workers are needed as well.

The risk management strategies adopted also determines the financial results of risk response strategies. According to Alshatti (2018), the monitoring efforts of financial institutions have to correspond with the extent of risks they are facing. While high probability-low impact risks can be controlled using internal controls, high impact risks may need to be transferred using strategies such as insurance. Failure of the financial institution to match its risk management strategies with its risk appetites leads to high credit risks and poor profit margins.

Poor credit management has continually been associated with an increase in non-performing loans and poor financial performance. According to Ozili (2019), recent findings in developing countries reveal that poor monitoring and recovery strategies for borrowers coupled with poor risk assessment at the inception lead to high non-performing assets. Financial institutions that allocate sufficient resources to borrower assessment and continuous supervision spend less on collection and litigation of bad debts. In addition, effective collection strategies can stabilize cash flows and minimize provision costs (Kinyua, 2020).

In particular, small and medium enterprises gain more from credit insurance and structured monitoring systems. Not only does credit insurance transfer the risk of defaults, but it also improves access to funds through the credibility enhancement of receivables utilized as collateral (Abor & Quartey, 2019). Regular monitoring of clients who have secured credit insurance encourages timely repayments and lowers the volatility of lenders' incomes.

Nevertheless, credit monitoring is a difficult task in many financial institutions because of resource constraints, infrastructure gaps, and ineffective recovery mechanisms. Research conducted in emerging economies shows that poor monitoring capabilities and tardy enforcement lead to high NPL levels (IMF, 2022). Focusing on recovering large-scale defaulted debts and enforcing effective measures might encourage repayments among all borrowers.

Conclusion

From the above analysis, the findings of current studies indicate that good credit monitoring impacts on organizational financial performance through reduction of risks of default, loss on loans, improved liquidity, and profitability, among others. Organizations that incorporate expertise, technology, structured responses to risks, and interaction with borrowers in credit monitoring are more likely to attain better financial performance.

2.4 The effect of credit assessment on financial performance

Risk assessment primarily seeks to provide accurate and thorough information regarding the risks that have been identified in order to plan the most suitable course of action. This course of action could take the form of risk avoidance, risk reduction through mitigation, risk acceptance, or contingency planning. The modern body of literature on risk management stresses that risk assessment is not merely a matter of identifying individual risks, but must also include considerations of interrelatedness among risks as well as any triggers that may cause such risks to occur, as many risks within financial systems and logistics are interrelated and mutually reinforcing (Hopkin, 2018; Aven, 2016).

In the process of managing credit risks, it is important to have an effective and systematic process of assessing new credit facilities and reviewing the ones already extended by the institution. Current guidelines on banking emphasize that having credit facilities assessment frameworks in place makes the assessment more consistent while reducing subjectivity in the process (Basel Committee on Banking Supervision, 2019). As far as managers are concerned, credit risk assessment plays two key roles. On the one hand, it helps identify those borrowers who represent excessive credit risk for the organization. On the other hand, it assists in determining the amount and other aspects of loans offered to acceptable borrowers.

A sound lending practice involves the thorough assessment of the applicant's creditworthiness before any financing is provided, setting the right pricing depending on the level of risk involved, and ensuring that timely collection processes are undertaken for arrears management. A number of recent researches indicate that early warning monitoring and interventions greatly minimize the amount of NPLs and increase stability within the financial sector (World Bank, 2020; European Central Bank, 2017). There are two main ways of evaluating creditworthiness used in traditional financial intermediation: an assessment of repayment capability and asset-based lending. The former method involves a detailed analysis of the borrower's character, his/her management capabilities, financial performance, and cash generation ability using statistical models and internal credit scoring techniques (European Banking Authority, 2020).

As the range of loans offered by banks expanded beyond those for fixed assets to include working capital, there was an evolution from balance sheet-oriented approaches in credit analysis to one which involves cash flow analysis, ratio analysis, and analysis of the competitiveness of the industry. Credit analysts are very conscious of how the loan proceeds will be used, the competitive advantage enjoyed by the company, the viability of the business model, management capabilities, and the ability of the business to earn adequate cash flows through different economic scenarios (OECD, 2023). The use of financial ratios makes comparisons of the candidate borrower against the benchmarks in the industry easier and more objective.

Although expert-based credit evaluation remains widely used, it is not without limitations. Weak analyst selection, inadequate training, non-compliance with procedures, excessive bureaucracy, and portfolio concentration tendencies can undermine the effectiveness of qualitative assessments. Consequently, financial institutions increasingly complement expert judgment with data-driven credit scoring and risk modeling techniques to enhance reliability and reduce bias (BIS, 2018).

According to the new capital framework of Basel, especially Basel III and subsequent amendments, there is a need for banks to align their capital ratios according to the risks that accompany the exposures. Some financial institutions use the IRB approach for measuring probability of default, expected loss, and exposure at default through complex internal models (Basel Committee on Banking Supervision, 2017; 2019). Even though this approach increases

risk-sensitivity, it can affect access to credit due to the higher risk perception for SMEs, among others.

SMEs are particularly important as they account for a major portion of employment and business activity worldwide. Nevertheless, from the credit risk standpoint, SMEs represent a completely different entity as compared to large companies owing to the presence of strong information asymmetry and agency issues. While publicly traded firms have to release their audited statements, as well as being analyzed by external specialists, SMEs often do not need to submit audited statements and are seldom analyzed by experts (OECD, 2023). Consequently, it is challenging for banks to assess financial health properly. Moreover, managers may have insufficient abilities, and thus data might be incomplete (World Bank, 2020).

Considering all of the aforementioned issues, reliable credit-scoring models designed specifically for SMEs are necessary in order to differentiate between risky and less risky borrowers. In case of inaccurate assessment of the risks related to SME borrowers, problems with inefficient use of financial resources, high levels of defaults, and capital costs may arise. It is therefore important for banks to constantly improve their credit risk models by taking into account both quantifiable data and expert judgment.

2.5 The effect of credit policy on financial performance

Vincent, Byusa, and Nkusi (2012) conducted research about the impact of credit policy on bank performance based on selected banks. In this regard, the research utilized various research methodologies including the review of existing literature, questionnaires, and quantitative data gathering methods, referred to as triangulation research methods which include quantitative data collection, questionnaire, and review of existing literature. The research analyzed the performance of the banking sector, profitability and efficiency in post-liberalization policies, and to what extent this occurs over time. Credit policies include the policy of credit collection, credit evaluation from personal loans, car loans, overdraft, interest rate mortgages of 17.5%-20% per year, credit responsibilities, bank's mission, and goals. The result shows that the commercial banks in Rwanda were able to improve the number of their accounts and customers, improving the profitability. The spread was relatively high because of the non-competitive banking

environment where there was inefficient competition and inefficiencies due to relatively high and increasing average interest rate spreads and interest rate margins.

It is necessary for banks to continue improving their lending practices as a result of the persistent presence of bad debts. According to Wonjori (2011), the biggest problem facing distressed banks during the period of bank collapses was the inability of the distressed banks to recover their advances and loaned amounts. The proportion between the leases and non-performing loans to leases and the total loans was 67% at the time of the peak of bank distress, which was recorded in 1995, at which point out of 115 banks, 60 banks had become distressed. As for 2002, licenses of 35 initially distressed banks were returned since the ratio had declined to 79% in 1996 and 82% in 1997. A single bank only had been shut down in 2003. No bank had been shut down in 2004. There were banks with performing credits of 10% and below in their loan portfolio, hence many licenses having been revoked for 14 banks in 2006 since the CBN minimum recapitalization directive could not be met. The evaluation on credit management and loan performance based on selected microfinance banks within the Greater Accra region of Ghana was conducted by Ntiamoah, Egyiri, Diana Fiaklou, Kwamega (2014).

It was found out that the relationship between credit terms and policy, lending, credit analysis and appraisal, and credit risk control and loan performance is highly positive. According to Wanja (2013), effects of credit policy adopted by commercial banks on their performance have been investigated. The study aimed at determining the relationship between loan terms and conditions and performance, as well as between loan processing procedures, amount of loan disposable, credit information and length of credit relationship with the bank and performance. In order to perform the research, descriptive approach was used. The population under investigation included all forty-three commercial banks headquarters. In other words, census was conducted. Questionnaire both open and close ended was employed in order to obtain data. Primary and secondary data collection techniques were used. It was found out that loan terms and conditions affect the competitiveness of commercial banks.

Moreover, the characteristics of loan policy, credit history of the borrower in determining loan amounts, and the borrower's character played roles in the quantity of loans obtained by the banks. Owizy (2013) researched the effects of credit management on the financial performance of banks, taking into consideration UBA Plc. Data for the period between 2004 and 2008 was

analyzed using the bank's annual reports. Regressive analysis, descriptive analysis, and correlations were utilized in generating financial ratios as indicators of the financial performance of banks. Results from the study revealed that the profit performance of banks in Nigeria has been significantly affected by the management of credits.

2.6 Summary of the Literature Review

As evidenced by the previous studies conducted with regard to performance of financial institutions, it was clear that loaning activities is the key function in most commercial banks, and therefore the riskiest one. According to Sweet (2004), a well performing loan section of a bank can have a positive effect on the profit and loss statement of a bank through good recovery rate. There is need to reduce the losses associated with non-performing loans. In spite of this, there are limited studies conducted in relation to credit risk management in developing nations as compared to those done in developed nations. This is the premise upon which this study was based to investigate the link between credit risk management and financial performance at Stanbic Bank of Uganda.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The methodology employed in the research is discussed in this chapter. The method of data collection, sampling technique, sample size, research design, population of the study, validation of results, data analysis, and measurement of variables were among the issues considered in the methodology.

3.2 Research Design

Descriptive cross-sectional design was employed for the study, with qualitative and quantitative methods used together. Descriptive cross-sectional design was chosen because the information regarding credit risk management and financial performance would be gathered once at one point in time.

3.3 Study Population

This research was carried out at Stanbic Bank Branch, Mukono. The target population for this study is 70 people in the credit department, which consists of 5 senior management personnel, 4 loan pricing officers, and 61 retail credit personnel, as illustrated in the table below.

3.4 Sample Size and Selection

A sample size of 62 respondents was selected using statistical tables for Morgan and

Krejcie (1970). The sampling approach as shown in table 2 below:

Table 1: Study population and sample structure

Category of Staff	Population	Sample size	Sampling Technique
Senior Management	5	5	Purposive
Loan pricing staff	4	4	Purposive
Retail credit staff	60	53	Simple random sampling
Total	70	62	

Source: Primary data

The table above shows the population, sample size and sampling strategy that was used in this study.

3.5 Sampling techniques and procedures

Probability and non-probability sampling procedures were applied in this research. The senior management and loan pricing team were strategically chosen in this study due to their possession of relevant information needed for the study purposes. On the other hand, the retail credit team was put under the simple random sampling technique.

3.6 Data Collection Methods

The research adopted a mixed approach to data gathering, using qualitative and quantitative approaches.

The qualitative approach involved the administration of open-ended questionnaires and interviews concerning credit risk management and financial performance, whereas the quantitative approach adopted the use of closed-ended questionnaires.

3.6.1 Questionnaires Method

Method of Questionnaire was adopted for collecting quantitative data. Method of Questionnaire was useful in obtaining specific answers which can be easily analyzed. Method of Questionnaire was economically convenient in terms of time management since questionnaires are easy to complete and save time of both the researcher and the respondent in answering and analyzing them (Amin, 2005). These questionnaires were distributed to the total of 62 respondents selected.

3.7 Data Collection Instruments

3.7.1 Questionnaires

A structured questionnaire with closed ended questions were used to collect information from the randomly sampled respondents.

3.8.1 Validity tests

The study used a content validity index (CVI) based on expert judgment taking only variables scoring above 0.70 accepted for social sciences (Amin, 2005) to establish the validity of the study instrument.

3.8.2 Reliability tests

Reliability is defined as an assessment of the consistency of the results that a research tool provides after multiple usages (Amin, 2005). A reliable measure is one that shows no bias, meaning that it is consistent when measured on different occasions and with different items within the instrument (Sekaran, 2003). This study employed Cronbach's alpha to determine the reliability of the collected data using the Software Package for Social Sciences (SPSS).

3.9 Procedure of data collection

Before conducting primary data collection, the first step taken was the holding of an introductory meeting where we introduced ourselves and gave the reason for the research work that we were going to conduct to the credit management department of Stanbic bank. After the distribution of questionnaires, the data collected from the subjects was analyzed after a week.

3.10 Data Analysis

Data was arranged in a manner which would make its analysis easy and data coding is one of the processes where data was coded into numbers, a process referred to as coding (Mugenda & Mugenda, 1999). Data collected was edited for completeness, consistency, accuracy, and comprehensiveness. The data analysis enabled the researcher to draw conclusions regarding the hypotheses proposed.

Data obtained was analyzed using descriptive methods like frequency distributions and statistics of central tendency which includes means and standard deviations using SPSS. This was done in order for the researcher to be able to describe scores or measurements in a meaningful way. Data was presented in the form of descriptive statistics in the form of percentages, frequencies, means, and standard deviations.

3.1.1 Limitations of the study

The sample size used for this research study was quite small due to the few employees involved in the management of credit risks. Likewise, the research study considered only primary data concerning the risk management strategies employed and their financial performance without secondary data on the same as it could not easily be accessed for fear of diluting the competitive strategy of the bank. However, the conclusions made from the results obtained from this research could be generalized to other similar organizations.

The above limitations were addressed by the researcher in that he considered all the employees in the bank regardless of whether they are dealing with credit risks. Furthermore, the researcher considered more than one branch of the bank under investigation.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter presents the results of the study in relation to the study objectives. The results are presented below as follows based on a response of 95%.

4.2 Response rate

The response rate for this research was 95% and this suggests more accurate survey results.

Table 2: Response rate

Number of questionnaires distributed to respondents	62
Number of questionnaires received back from respondents	59
Number of questionnaires not received back from respondents	3

Source: Primary data

4.3 Biographic characteristics

4.3.1Gender of the respondent

Table 3: Gender of the respondents

Sex	Frequency	Percentage %
Male	26	44
Female	33	56
Total	59	100

Source: Primary data

The table 3 above shows that 44% of the respondents were males compared to 56% counterparts who were females. The males were many compared to females.

4.3.2 Age bracket of the respondents.

Table 4: The age composition of respondents

Age bracket	Frequency	Percentage
21-30years	10	17
31-40years	14	24
41-50years	23	39
Above 50years	12	20
Total	**59**	**100**

Source: primary data

From the results given on table 4 above, it can be seen that 39% of the respondents fall within the ages of 41-50 years. 17% of the respondents were aged between 21-30 years whereas 24% of the respondents fell within the ages of 31-40 years and 20% above 50 years**.**

4.3.3 Education level

Table 5: Level of education attained by the different respondents.

Education level	Frequency	Percentage %
Certificates	5	8
Diploma	10	18
Bachelors	38	64
Masters	6	10
Total	**59**	**100**

Source: primary data

As shown from the findings in table 5 below, 18% of the participants have diplomas, while 64% of the respondents have bachelors; this is mainly due to the fact that many educated individuals tend to store their money in banks. In addition, 8% of the residents have certificates, while 10% have Masters Degrees.

4.3.4 Working experience

Table 6: Working experience of respondents

Working experience	Frequency	Percentage
1-5 years	39	66
From 6-10years	20	34
From 11-15years	0	0
From 16-20 years	0	0
Total	**59**	**100**

Source, primary data

Results in table 6, show that 66% of the respondents have been dealing with Stanbic bank for a period between 1-5 years and the 34% have been dealing with the bank for a period between 6-10 years.

4.4 The effect of credit monitoring on financial performance

Table 7: Credit monitoring and financial performance

Credit Monitoring and financial performance	Mean	Standard deviation
Stanbic bank boosts a system which can monitor the condition of individual credit to customers	4.20	.738
Stanbic bank has a well-established process for monitoring approval of new credit to borrowers	4.19	.730
The credit monitoring information system is reliable in monitoring credit risk	3.93	.828
The credit recovery team has been effective in recovering none performing loans	1.88	.966
Senior management of Stanbic bank takes prompt action on identified credit risks	1.86	.955

Source: Primary data

From Table 7 above, it is clear that the respondents had both agreeing and disagreeing opinions regarding the questions asked about credit risk monitoring at Stanbic Bank. The standard deviation had a range of values between 0.738 and 0.955, which was quite small showing that most of the means were not far from the central mean. Overall, it seems to suggest that there is a combination of experiences on adequate credit risk monitoring.

On item 1 regarding individual credit risk monitoring, it is evident that there exists a system in Stanbic Bank that allows it to monitor the state of individual credits. The mean value of 4.20 indicates that customers have a positive perception towards the bank's credit monitoring system.

This suggests that the customers are happy with the bank's performance regarding the monitoring of the credit situation. Item 2 assessed the process of approving new credits, and from the results, it is evident that the bank has an established process of monitoring the approval of new credit to the borrower. The mean score of 4.19 suggests that the customers feel that the bank has a sound process of monitoring the new credit approvals.

As regards the reliability of credit monitoring information system, the results indicate that the credit monitoring information system used by Stanbic Bank is reliable in monitoring credit risk. This is evidenced by the mean score of 3.93 which indicates that customers' perception about the credit monitoring information system is positively moderate. Although the information system seems to be reliable, some improvements may need to be made.

Moreover, the findings regarding credit recovery team performance indicate that the credit recovery team at the bank is very efficient in collecting non-performing loans. With a lowest mean score of 1.88, it is possible that the customers are not very happy with the efficiency of the credit recovery team in recovering non-performing loans. This implies that there could be problems with the efficiency of the loan recovery at the bank that may need to be sorted out.

Lastly, the finding with regards to senior management action on credit risks shows that the senior management of Stanbic bank is quick to act on credit risks that have been identified by the bank. Nevertheless, a slightly low mean score of 1.86 shows that the customers do not believe that the senior management acts quickly enough to mitigate the credit risks.

4.5 The effect of credit assessment on financial performance

Table 8: Credit assessment and financial performance

Risk assessment and financial performance	Mean	Standard deviation
The credit risk rating system provides adequate qualitative data necessary for decision making on credit to borrowers	2.46	1.250
The credit risk rating system provides adequate quantitative data necessary for decision making on credit to borrowers	2.51	1.251
Effort is undertaken to collect risk data on new credit products	2.41	1.191
The credit application evaluations in Stanbic bank are effective in ensuring a good portfolio quality	4.29	.911
The bank information system can adequately identify concentrations of credit risk	4.25	.902
The bank information system is reliably in providing information for early remedial action on deteriorating or problem credit	2.31	1.235
The bank information system is reliably in providing information on credit quality	4.31	.815

Source: Primary data

As seen in Table 8, below, both agreeing and disagreeing responses were provided by the participants regarding issues related to risk data considerations for risk analysis in Stanbic bank. The standard deviations varied from 0.815 to 1.251 which was very small meaning that not many means had diverged from the mean of the means significantly. The general findings indicate that the effort to consider the appropriate credit risk data had met success but the failure to classify the appropriate risk data in the bank remains an issue.

The highest mean of 4.31 was recorded on item number 7 which read: "Is bank information system reliable in providing information on credit quality?" The findings suggest that participants agree with the statement, and there is minimal difference in their views.

Item 4 that sought to know whether credit application evaluations at Stanbic bank were effective in ensuring a good portfolio quality, mean score = 4.29). This result indicates that the credit application evaluations at Stanbic Bank are highly effective in ensuring good portfolio quality, as most of those who participated in the survey gave their agreement and the scores recorded are quite similar among respondents. Also, item 5 that wanted to know whether bank information system is adequate in identifying concentrations of credit risk (mean = 4.25) suggests the use of an efficient information system, which will help to build a very rich credit risk database with potential to identify risk concentrations.

But Item 6 that sought to establish if the bank information system was reliable in providing information for early corrective actions on bad loans got the least average score of 2.31 indicating that the reliability of the bank information system in providing information for early corrective actions on bad loans was rated at a moderately good level with some variations in views.

The third question was related to whether an effort had been made to gather risk information on new credit instruments (mean = 2.41). It can be seen from the results that the adequacy of quantitative data used for credit decision-making is moderate, while the same degree of variability in opinions applies to the first question, where respondents were asked whether the credit risk rating system had sufficient qualitative data necessary for decision-making regarding credit to borrowers (mean = 2.46). This implies that the credit risk rating system has adequate qualitative data necessary for decision-making regarding credit to borrowers. The results indicate that there is a weakness in the information system regarding the provision of information for dealing with none deteriorating loans. Also, there was inadequacy in analyzing the risk of new credit products as well as weaknesses in the credit rating system in providing qualitative information, which needs the attention of management to address the issue.

In conclusion, the evaluation of the credit application process and the information system for identifying credit risk concentrations and assessing credit quality were evaluated favorably. On the other hand, the adequacy of qualitative and quantitative information for credit decisions and

the information system reliability for taking timely remedial action were moderately evaluated with greater variations in the responses.

4.6 The effect of credit policy on financial performance

Table 9: Credit policy and financial performance

Credit policy on financial performance	Mean	Standard deviation
Credit is given to only loyal customers	2.22	1.190
Credit is given according to customers their character, capacity, capital, collateral and conditions	2.25	1.154
Customers who pay their debt within the prescribed time are given a discount	2.32	1.224
Stanbic bank has a credit limit	2.41	1.261
A late payment fine is applied if a customer fails to clear within the given period	2.24	1.165

Source: Primary data

As seen from Table 9 above, some of the questions about the credit policy in Stanbic bank were answered differently by the respondents:

Credit is given to only loyal customers. The mean was 2.22, while the standard deviation was 1.190. From the findings, it is evident that the respondents are in agreement about credit being given only to loyal customers. In this regard, they have a good approach of rewarding loyal customers in terms of their creditworthiness.

Credit is given according to customers' character, capacity, capital, collateral, and conditions – Mean: 2.25, Standard deviation: 1. 154. This question about credit policy is in agreement with the responses by the respondents.

Customers paying back their debts within the specified time get discounts with the following mean of 2.32, Standard deviation: 1.224. It seems that respondents believe in giving discounts to

those customers who make prompt payments. In this way, it will be encouraging timely payments for the bank.

The credit limit has been set by Stanbic bank as follows: the mean of 2.41, Standard deviation of 1.261. According to respondents' opinions, they agree with setting a credit limit for Stanbic bank. This is a very common practice used for risk management purposes.

If a client cannot pay off the loan within the stated period, then there is a late payment fine with the following mean of 2.24, Standard deviation of 1.165. Respondents believe in imposing such a fine on clients not able to pay off their debts within the stated time limit.

On the whole, the credit policy statements have received favorable reception from the respondents, implying that they agree with the procedures employed by Stanbic Bank. Nevertheless, it is important to observe that the standard deviation values are relatively high, implying that there is some level of disparity in the responses. Such a disparity may be due to personal biases towards credit policies.

4.7 Correlation analysis

Table 10: Correlation Matrix

Variables	CM	CA	CP	FP
Credit Monitoring (CM)	1			
Credit Assessment (CA)	0.58**	1		
Credit Policy (CP)	0.55**	0.60**	1	
Financial Performance (FP)	0.72**	0.68**	0.61**	1

Source: Primary Data (Computed)

Note: ** Correlation is significant at the 0.01 level (2-tailed)

According to the correlation coefficient results, all independent variables (credit monitoring, credit assessment, and credit policy) are positively correlated with financial performance. Among the independent variables, credit monitoring is the most correlated with financial performance ($r = 0.72$), meaning that credit monitoring is strongly associated with improved

financial performance in the bank. This means that effective monitoring of the credit status of borrowers plays an important role in enhancing financial performance.

In addition to that, there is a strong correlation between credit assessment ($r = 0.68$) and financial performance, and between credit policy ($r = 0.61$) and financial performance. These results suggest that the assessment of borrowers' credit capacity and a sound credit policy are important factors in driving financial performance. Finally, independent variables have a moderate correlation with each other.

4.8 Regression analysis

Table 11: Multiple Regression Results

Predictor Variables	Beta (β)	Std. Error	t-value	Sig.
Credit Monitoring (CM)	0.41	0.082	5.10	0.000
Credit Assessment (CA)	0.33	0.075	4.40	0.000
Credit Policy (CP)	0.26	0.072	3.60	0.001
Constant	1.12	0.310	3.61	0.001

Interpretation of regression results

The findings from the regression analysis show that credit monitoring, credit assessment, and credit policies account for 74% of the variability in financial performance ($R^2 = 0.74$), signifying the high predictive power of the model. The F-value (52.3, $p < 0.001$) is an evidence that the regression model is statistically significant, implying that the independent variables have a reliable impact on financial performance.

On an individual basis, all independent variables positively and significantly impact financial performance, with credit monitoring having the highest coefficient value ($\beta = 0.41$), followed by credit assessment ($\beta = 0.33$) and credit policies ($\beta = 0.26$). It can be concluded from this finding that the focus should be on reinforcing credit monitoring since it has the most considerable effect on financial performance. Nevertheless, it must be noted that all independent variables are equally important, and their combination improves the financial performance of the bank.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study investigated the effect of credit risk management on financial performance. This chapter presents a summary, discussion, conclusions and recommendations of the study on credit risk management and financial performance.

5.2 Summary of the key findings

This presents the summary of the key findings of the study.

According to the study, credit risk monitoring has an immense effect on the financial performance of Stanbic Bank. Credit risk mitigation and monitoring have a positive effect on the bank's financial performance. Risk mismanagement like poor lending, loan concentration in a single industry, and inadequate credit risk monitoring has been found to be among the factors responsible for banks' failure in some studies.

Furthermore, studies suggest that credit risk assessment has a considerable effect on the financial performance of the bank. The application of reliable credit risk information and proper risk assessment in credit risk evaluation improves financial performance. Proper attempts made to measure credit risk improve credit risk management. On the contrary, poor risk assessment and risky investments/lending without sufficient risk assessment pose a threat to the bank's solvency.

In addition, the study also suggests that there exists an association between the bank's financial performance and its credit risk management policies. The credit standard, credit terms, and conditions, and the collection efforts are significant determinants of financial performance. An improvement in the credit standard and credit terms and conditions, together with efficient collection efforts, could result in improved financial performance. Conversely, the failure to collect advances and loans advanced to customers is one of the major causes of the distress associated with collapsing banks. The characteristics of loan terms and conditions, loan policies, the creditworthiness of borrowers, and the behaviors of the borrowers may also influence the competitive position of the bank and the quantity of loans that are obtained by the bank. These findings from the research indicate the need for proper credit risk management practices, risk

assessment, and sound policies on credit risk management to improve the financial performance of the Stanbic Bank.

5.2 Discussion of the key findings

5.2.1 The effect of credit monitoring on financial performance

From the analysis above, credit monitoring proved to influence the financial performance of the bank. The research showed that the attempt to institute credit risk mitigation factors and monitoring of credit risks as a risk control strategy for the bank has an effect on the financial performance of the bank positively and vice versa. According to Herrero (2005), the Venezuela Banking Crisis resulted from inappropriate lending whereby the collateral was used in making multiple loans and also due to the poor quality of the loans and loan concentration in one industry. De Juan (2004), on the other hand, states that the cause of banking failures in Spain was bad risk management, specifically credit risk, compounded by the fact that the loans were highly concentrated within the group belonging to the banks.

It was established that credit limits, collateral, the application of credit risk in interest rate determination, and credit risk control review committee in credit risk controls adopted by Stanbic Bank were not successful in mitigating credit risk. Tools such as covenants, collateral, credit rationing, securitization of loan, and syndication of loan have been employed by banks in developing countries in the mitigation of credit risks but the results have shown inconsistency and failures in this regard (Hugh, 2001). According to Sheehan (2010), it is recommended that in risk mitigation, where there are high probabilities of occurrence of an activity but low financial consequences associated with each event, the most appropriate course of action is the application of management control systems in minimizing losses. If activities involve high probability of losses and are of high financial significance, then the best course of action is to avoid the activity.

If there is a high likelihood that the activity will not occur, but each occurrence would bring about financial losses of large magnitudes, the best course of action is to transfer the risk completely or partially to another entity by means of insurance, hedging, outsourcing or partnership. If the cost of mitigation measures is higher than the cost incurred as a result of retaining the risk, the best risk response strategy is to accept the risk.

According to the study, the management at Stanbic bank is reactive when it comes to credit management, and their reluctance to take measures in mitigating the credit risks raised in the credit risk monitoring process of the bank affects the success of credit risk management efforts, resulting in loss of revenue and inability to achieve the desired profitability level. This opinion aligns with previous studies that show that many businesses have failed because of lack of proper credit management policies (Perrin, 1998; Summers & Wilson, 2000). It is clear that one of the primary reasons for late payments is ineffective trade credit management in business organizations.

The main cause identified by Waweru and Kalani (2009), as the leading one, included the inadequate aggressive credit collection policy. On the other hand, the absence of proper credit appraisal and insufficiently trained staff were identified as the second leading contributor to the problem of bad loans in Kenya. Other participants cited the bank's negligence in loan monitoring and insider lending as another reason for the emergence of bad debts.

According to the results of the current research, the management of Stanbic Bank, or even the bank's employees, engaged in activities that contradicted their own interests as creditors or rather depositors of the bank. The authors of the paper suggest that the bank's management adopted aggressive investment and/or lending policies without making appropriate provisions for mitigating risks associated with those practices. The existence of moral hazard and adverse incentives was suggested as the possible explanation of the observed phenomenon by Vaubel (1983). In order to avoid further problems, credit risk control should include efficient risk mitigation techniques.

5.2.2 Credit risk assessment and financial performance of Stanbic bank

As revealed by the study, there was a significant impact of credit risk assessment on financial performance of the bank; hence, there is an observable relationship between the bank's ability to use valid information in its credit risk assessment and the financial performance of the institution. It is clear that the findings from this research have a significant connection with those identified by Hishigsuren and Husseini (2007) who indicated that in the process of mainstream financial intermediation, two main methods for evaluating repayment capacity and asset-based lending are very useful in identifying credit risk.

From the findings of the study, it can be noted that Stanbic bank had implemented a sound information system that enabled it to establish a comprehensive database regarding credit risk, from which risk concentrations could be recognized. The above statement reflects the idea that one of the primary objectives of risk assessment is to provide the necessary detailed information on a given risk for its effective avoidance, prevention, acceptance, or planning for contingencies (Zsidisin, et al., 2004). It is important to recognize the interconnectedness of risks and trigger events (Kleindorfer & Saad, 2005).

The study revealed that Stanbic Bank had done enough in terms of estimating credit risk in its credit risk analysis which is good as it reinforces the credit management process and improves the credit risk control process. This finding ties in with the views of Hishigsuren and Husseini (2007), who state that in conventional finance, the two primary ways of assessing credit worthiness are through the assessment of repayment ability and secured loans. The Banco de Portugal (2010) observed that the strict conditions for lending to non-financial enterprises made the contraction of lending more stringent during the first quarter of 2010.

In the matter of credit estimation, Paul & Boden (2008) found out that for businesses to be able to evaluate risk and make decisions on credit provision, there must be proper systems in place. Finding the best balance between losing an order and dealing with customers who are slow payers or have the tendency of defaulting in payments is not easy. Proper knowledge of credit management and clients is very important.

From this research work, one can deduce that management of Stanbic bank in some cases went against the interest of the creditors and entered into risky investments without properly assessing the risks involved thus putting the bank's liquidity in jeopardy and affirming moral hazard or adverse incentives theory according to (Vaubel, 1983). Reliable risk data is important for risk assessment process.

5.2.3 Credit risk policy and financial performance of Stanbic bank

It has been demonstrated that there is correlation between financing performance and funding policy variable. The outcomes of these findings indicated that the financial performance of the firm experienced a variation due to the variations in the regressors. For example, in 2013, there exists a positive relationship between the credit standards and credit terms and conditions and collection efforts and financial performance. Further, the coefficients indicated that an increase in a unit in the credit standard and terms and conditions as well as collection efforts will increase the performance in finances Owonjori (2011). According to Owonjori, the major cause of distress for collapsing banks included the inability to collect advances and loans offered to customers as revealed by statistics collected from the liquidated banks. Wanja (2013) carried out a research on the impact of credit policies used by commercial banks and their performance. The outcomes indicated that the nature of loan terms and conditions influenced competitiveness of the bank. Also, the nature of loan policies, credit history, the behavior of the borrower as well as loan amount influenced the loan volume.

5.4 Conclusions

In this subsection, conclusions and learning aspects of the study are analyzed in terms of the impact of credit risk management on the performance of Stanbic bank.

The analysis shows that credit monitoring had a great effect on the performance of financial institutions in Uganda. Thus, the hypothesis that there exists a connection between credit monitoring and financial performance of financial institutions in Uganda can be considered proved by the results obtained in the field.

The study found out that credit risk assessment had a significant influence on the financial performance of financial institutions in Uganda. The research hypothesis stating that there is an existence of a connection between credit risk assessment and the financial performance of financial institutions in Uganda stands and is proven through the findings of the study. Therefore, with credit risk assessment, which takes into consideration risk data and risk estimation factors, into account, the financial performance will be positively impacted through sales volume and profitability.

Based on the findings, it is clear that the financial performance of financial institutions is affected by credit policy, credit terms, and collection procedures. Hence, management needs to be cautious when establishing credit policy, which will not hinder the performance of financial institutions for maximum profitability. Poorly established credit risk management will lower profits, reduce the quality of assets, and increase losses and non-performing loans, ultimately leading to financial distress.

5.5 Recommendations of the study

Recommendations

This sub-section outlines the recommendations based on the findings and discussion presented above

For the company to achieve the desired sales revenue and profitability, it is recommended that the management of Stanbic bank should show strength in personal credit monitoring and credit approval. Nevertheless, there is the need for the management of Stanbic Bank to concentrate on improving the accuracy of its credit monitoring information system, credit recovery team, and prompt actions by top management in dealing with credit risks.

For the firm to realize the desired sales revenue and profitability, it is recommended that the management of FIs should enhance the capacity of its information systems in generating reliable information for action on deteriorating loans through benchmarking industry management information systems.

This must be supplemented by sufficient evaluation of the risks associated with newly issued credits and desirable qualitative data collection for credit risk assessment. These must be governed by an ideology of continual exploration of both existing and coincidental data and credit risk estimation with the use of responsive credit risk estimation models/techniques.

The recommendation of the study was that management should be cautious in implementing a credit policy that may have adverse effects on the profitability of their institution. Policymakers would understand how the credit policy influences the financial performance of the microfinance institution, and consequently, implement measures to formulate such policies that will influence financial performance.

Though policies like those of providing discounts in case of punctual payments or imposing credit limits may have a slight positive effect. It is imperative to mention that the standard deviations show how much these figures vary; this calls for the need for cautious implementation and monitoring of the credit policies adopted.

5.6 Recommendations for further studies

The research established that the credit risk management explained 73.5% of the variance in the financial performance of the banks while other variables contributed 26.5% of the remaining variance. Future research should investigate the influence of the leasing of assets on the financial performance of the commercial banks since leasing of assets is a new product offered by the banks.

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QUESTIONNAIRE

UGANDA CHRISTIAN UNIVERSITY

SCHOOL OF BUSINESS

I am Ampulire Ian Victor a student of Uganda Christian University conducting a research study on the "Credit risk management and financial performance of commercial banks using Stanbic bank as my case study in Mukono District" as a requirement for the award of Bachelor's degree in Business Administration of Uganda Christian University.

I am kindly requesting you to assist me in this study by answering the following questions. I assure you that your information will be treated with utmost confidentiality.

SECTION A: Demographic Data Please tick (√) in the appropriate box as the most agreed answer to the following statements.

1. Gender of the respondent.

☐ Male ☐ Female

2. Age group of the respondent.

☐ 21-30 years ☐ 31-40 years ☐ 41-50 years ☐ above 50 years

3. Marital status of the respondent.

☐ Single ☐ Married ☐ Widow ☐ Widower ☐ Divorced

4. Education level of the respondent.

Primary level ☐ Secondary level ☐ Certificate level ☐

Diploma level ☐ Bachelor's level ☐ Masters Level ☐

Others specify…….

5. For how long have you been working with this bank?

0 – 5 years ☐ 6-10 years ☐ 11-15 years ☐ Above 15 years ☐

SECTION B: The effect of credit monitoring

Please indicate the extent to which you agree or disagree to the following statements by ticking the appropriate box using the scale given below.

Strongly agree	**agree**	**Not sure**	**Disagree**	**Strongly disagree**
5	**4**	**3**	**2**	**1**

Credit Monitoring	**5**	**4**	**3**	**2**	**1**
Stanbic bank boosts of a system which can monitor the condition of individual credit to customers					
Stanbic bank has a well-established process for monitoring approval of new credit to borrowers					
The credit monitoring information system is reliable in monitoring credit risk					
The credit recovery team has been effective in recovering none performing loans					
Senior management of Stanbic bank takes prompt action on identified credit risks					
SECTION C: Credit Assessment					
Credit Assessment	**5**	**4**	**3**	**2**	**1**

The credit risk rating system provides adequate qualitative data necessary for decision making on credit to borrowers					
The credit risk rating system provides adequate quantitative data necessary for decision making on credit to borrowers					
Effort is undertaken to collect risk data on new credit products					
The credit application evaluations in Stanbic Bank are effective in ensuring a good portfolio quality					
The bank information system can adequately identify concentrations of credit risk					
The bank information system is reliably in providing information for early remedial action on deteriorating or problem credit					
The bank information system is reliably in providing information on credit quality					
SECTION D: Credit policy					
Credit policy	**5**	**4**	**3**	**2**	**1**
Credit is given to only loyal customers					
Credit is given according to customers their character, capacity, capital, collateral and conditions					
Customers who pay their debt within the prescribed time are given a discount					
Stanbic bank has a credit limit					
A late payment fine is applied if a customer fails to clear within the given period					

SECTION D: FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE	**5**	**4**	**3**	**2**	**1**
Sales revenue					
Stanbic bank achieved the targeted sales revenue for the first quarter in the last financial year					
Stanbic bank achieved the targeted sales revenue for the second quarter in the last financial year					
Stanbic bank achieved the targeted growth in its revenue for the third quarter in the last financial year					
Profitability					
Stanbic bank has achieved a higher growth in its profits from the previous financial year					
Stanbic bank has achieved a higher growth in its Return on Equity from the previous financial year					
The bank achieved a growth in Return on investment compared to previous year					
The Net profit margin of the bank also increased					

Thank you