

**EFFECTS OF CREDIT MANAGEMENT POLICIES ON FINANCIAL  
PERFORMANCE OF COMMERCIAL BANKS IN UGANDA: A CASE STUDY OF  
EQUITY BANK MUKONO BRANCH**

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**S23B33/039**

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT  
OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF BACHELOR OF  
SCIENCE IN ACCOUNTING AND FINANCE OF UGANDA CHRISTIAN UNIVERSITY**

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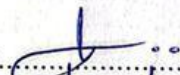


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**DECLARATION**

I MILO ELIZABETH NANGOBI hereby declare that this dissertation was produced out of my own effort with the guidance of my supervisor and has never been submitted to any other institution for any award.

Signature:  .....

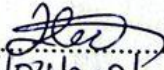
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S23B33/039

**APPROVAL**

This dissertation has been supervised and approved by me and is therefore ready for submission to the School of Business in Uganda Christian University.

Signature: .....  
Date: 15/04/2026.....

MR. AHABWE ALEX  
(Academic Supervisor)

## **DEDICATION**

I dedicate this research to my parents, who advise, support, and mentor me throughout my education up to university level. Above all, I thank the Almighty God for guiding and providing for me throughout the completion of this dissertation.

## **ACKNOWLEDGEMENT**

I am greatly indebted to Mr. Ahabwe Alex , my supervisor, for his effective supervision, dedication, availability, and professional advice.

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I extend my gratitude to the entire staff and management of Equity Bank for providing the relevant information that has made the study successful.

Lastly, I thank the Almighty God through Jesus Christ for granting me good health and strength to carry out the research from the beginning to the end and ensure its success.

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## ABSTRACT

The study explored the effects of credit management policies on the financial performance of commercial banks in Uganda, focusing specifically on Equity Bank's Mukono Branch. The objective is to assess how credit management policies has influenced the financial performance of commercial banks (Equity Bank). The objective was supported by three goals and that is examining the effect of credit terms on financial performance, evaluating the impact of credit standards on financial performance and analyzing the influence of collection policies on financial performance. 37 respondents from Equity Bank were studied.

Simple random sampling technique was used which was ensuring that every member of the population had a chance of being included in the sample. The approach was chosen because the chosen respondents were either actively engaged with or knowledgeable about the impact of credit management policies on financial performance making them suited to respond to the research questions .

This study found out that credit management policies affected the financial performance of Equity Bank Mukono. Flexible and well structured credit terms enhanced loan repayments and increased profitability. Credit standards positively impacted financial performance by decreasing exposure to bad debts and improving stability. Effective collection policies directly improved the bank profits and liquidity by ensuring timely debt recovery and ineffective policies resulted in higher non-performing loans and weakened financial performance.

In conclusion, the study included that effective credit management policies including well balanced credit terms and robust collection policies were crucial for enhancing the financial performance of commercial banks. Equity Bank Mukono showed that a well managed credit system could increase profitability and improve financial performance. The bank was advised to continue refining its credit management practices to achieve a balance between maximizing profitability and minimizing risk.

# CHAPTER ONE

## INTRODUCTION

### 1.0 Introduction

The chapter provides the background study that shows the problem statement, objectives of the study, research questions, scope of the study, significance of the study and the conceptual framework.

### 1.1 Background of the Study

The background of the study is that credit management policy is used by commercial banks, finance institutions and lending entities to make decisions regarding credit to customers (Brown and Williams 2021). Credit policy aimed to avoid the extension of credit to customers who were unable to repay their accounts and the policy also has effects on the cash flow of any commercial bank within a given period of time. The policy which is so strict could send away customers, reduce sales and decrease cash inflows within the commercial bank. A weak policy could attract slow paying customers, increase the collection period for accounts receivable and lead to cash inflow problems.

The significance of a credit policy it has an ability to maximize the value of a firm (Puxty and Dodds 1991). The controllable decision variables are crucial for investment in accounts receivable. Credit policy acted as a guide to successful credit administration, where benefits such as increased market share, retention of existing customers, and acquisition of new ones had to be weighed against costs like selling, production, administration, and bad debt losses (Pandey, 2001). Credit policy enhanced credit administration, increased market share, improved risk management, and boosted financial performance (Pandey, 2001). In Uganda, commercial banks had adopted credit policies and submitted financial returns on a monthly and quarterly basis for offsite monitoring and evaluation (SASRA, 2019).

The role of commercial banks remained central to financing economic activity, and their effectiveness in credit management positively impacted the overall economy (Miller and Hain, 2022). Consequently, the determinants of bank performance attracted interest from

academic researchers, bank management, financial markets, and bank supervisors, as understanding both internal and external determinants of bank profit was essential for various stakeholders. Better credit management led to improved bank performance. A firm's credit policies significantly influenced the level of debtors, determining the manager's ability to invest optimally in debtors and trade profitably with increased revenue.

Credit policy defined a firm's performance (Yao & Pan, 2021). Therefore, adopting an optimal credit policy allowed a firm to maximize its investment revenue in debtors, improving financial performance and enabling the firm to grow, survive, and withstand negative forces in the loan portfolio (Gracious, 2023; Akankwasa et al., 2022). This instability often led institutions to seek loans from other banks, which charged higher interest rates, contributing to a decline in financial performance over the years (Ntirandekura et al., 2022). Financial performance was measured using determinants such as the quick ratio and return on assets.

A study by Jones and Summers (2019) examined the impact of credit management policies on the financial performance of commercial banks in a developing economy. This study shows that commercial banks with credit management policies which includes lending and effective monitoring has a lower level of offering loans and higher profit making. This showed that credit management policies can help commercial banks reduce on credit risk and also improve financial performance. Smith et al. (2020), he focuses on relationship between the financial performance and credit risk managing practices of commercial banks. The researchers findings found out that banks implementing credit risk management frameworks for example loan classification systems and stress testing protocols experience lower levels of credit losses and higher returns. This shows the importance of credit management policies in increasing financial performance for commercial banks

## **1.2 Problem statement**

The financial performance is an importance goal of sustainability and growth of the commercial banks . Effective credit management policies are very important for reducing the risks associated with lending money and ensuring the stability of financial institutions as well as commercial banks (Kilyowa, 2019). Despite the using the some of the credit management strategies , many commercial banks have continued to undergo the challenges affecting their profits and financial performance in a given period of time .

According to some of the Financial Sector Stability Report of 2020 from the CBK, banks are facing reduced profits in the longrun and increased credit risk. The report has showed that the assets of the commercial banks has decreased to 34.5% in 2018 from 37.6% in 2017 and liquidity increased to 43.7%. The banking sector recorded a decrease of 9.6% in profit before tax given a period of time. Many banks have been affected by their borrowers not paying their loan obligations to the bank . The situation caused the study to collect and gather information about the effect of credit management policies on the financial performance of commercial banks through examining how different approaches to credit standards and collection periods .Understanding this dynamic is important on developing the strategies to ensure there is financial stability and performance in commercial banks.

## **1.3 Objective of the study**

### **1.3.1 Main objective**

The study to investigate the effects of credit management policies on financial performance of commercial banks in Uganda especially at Equity bank.

### **1.3.2 Specific objectives**

- i) To examine the effect of credit terms on the financial performance of commercial banks in the study context
- ii) To examine the effect of credit standards on financial performance of commercial banks in the study context
- iii) To examine the effect of collection policy on financial performance of commercial banks in the study context

## **1.4 Research questions**

- i. What is the effect of credit terms on the financial performance of commercial banks in the study context?
- ii. What is the effect of credit standards on the financial performance of commercial banks in the study context?
- iii. What is the effect of collection policy on the financial performance of commercial banks in the study context?

## **1.5 Scope of the study**

### **1.5.1 Content scope**

The study's focus was on the effects of credit management policies on financial performance of commercial banks and will be limited to the objectives of the effects of credit terms, credit standards and collection policy on the financial performance of commercial banks in Uganda with the case study of equity bank mukono branch

### **1.5.2 Geographical scope**

The study was conducted at the Equity Bank Mukono branch because it was accessible to the researchers, which made data collection and observation more convenient.

### **1.5.3 Time scope**

The research focused on the credit management policies of Equity Bank over a period of five years, from 2019 to 2024. This timeframe was selected to provide the researcher with sufficient information on the topic under investigation.

## 1.6 Significance of the study

The findings were significant for the credit risk departments of commercial banks in Uganda, as they provided valuable insights into the effect of credit risk management on performance, likely influencing key decisions. The credit management teams were able to plan effectively to enhance bank performance by managing credit risks through the establishment of effective credit policies. Banks could utilize their resources more efficiently by addressing the major risks, including credit risks.

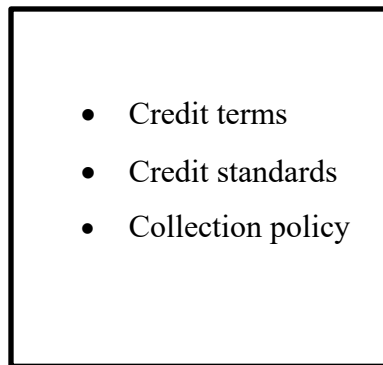
Given the dynamic nature of the environment, it was crucial to stay updated on all aspects of business. The study offered suggestions for further research, allowing other scholars to advance their work. The university benefited from the study as it guided students in advancing their research to incorporate future changes in the environment.

## 1.7 Conceptual framework

Fig 1.7 shows the conceptual framework which explains the effects of credit management policies on financial performance of commercial banks in Uganda

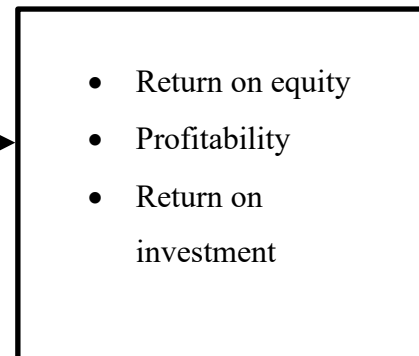
### Independent variable

#### Credit management policies



### dependent variable

#### financial performance



**Source: Adopted from Osabuohien (2007)**

The figure above illustrated the researcher's conceptualization of variables, their linkages, and how each related to one another. The independent variable was the effect of credit management policy, which included credit terms, credit standards, and collection policy. On the other hand, the dependent variables of financial performance were return on equity, profitability, and return on investment.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter reviews the existing literature related to the effects of credit management policies on the financial performance of commercial banks. The review aligns with the study's objectives, focusing on the effects of credit terms, credit standards, and collection policies on financial performance.

#### **2.1 The Effects of Credit Terms on Financial Performance**

Credit terms refer to the contractual conditions under which financial institutions extend credit to customers (Lemmon & Roberts, 2010). The terms that can be used are interest rates, repayment periods and penalties for default. Well designed terms of credit are important for the customer attraction and loan recovery in a given period of time.

Studies can show that good and well implemented credit terms help to be the main determinants of how highly profits can be generated in commercial banks. Okello and Namukasa (2023) his finding say that flexible and controlled loan repayment terms in Ugandan banks has really reduced loan rates and has improved customer satisfaction and rententing of their customers . Bwire et al. (2024) reported that banks with and implement adjusted interest rates and repayment to borrower capacity have achieved a stronger loan performance within a period of time.

Globally, Kumar and Singh (2024) has observed that the digital lending systems which is allowed by banks to personalize credit terms through data analytics and lead to reducing of risks and increasing of profits.

## **2.2 The Effects of Credit Standards on Financial Performance**

Credit standards look at the way banks use to determine borrower suitability and fitting of the borrower's ability to pay (Gudara & Soumare, 2010). The standards show client creditworthiness and ability for the customer to pay his loan to the bank.

Recent studies show that credit standards also improve financial performance by reducing customer who do not pay within a given time. Adongo and Kasozi (2023) shows that banks in Uganda are applying credit systems and risk analysis tools in order to achieve lower NPL ratios and higher returns. Mwangi and Kibet (2024) in Kenya also reveals that post COVID regulatory reforms by the Central Bank ensured that there is tightened credit assessment requirements which can improve the financial performance of the bank.

Banks which had a digital credit risk monitoring systems reported higher profitability than those which do not have the systems this was according to Demirgüç-Kunt and Huizinga (2023).

The Character, Capacity, Capital, Collateral and Conditions remain a centre to borrower assessment (Agarwal & Jiang, 2015). This model include a sixth C which is Compliance and this focusing on environmental and governance risk in lending decisions.

## **2.3 The Effect of Collection Policy on Financial Performance**

The collection policies show the strategies and procedures which are used to ensure the repayment of loans to the bank. Effective collection mechanism helps in maintenance and reducing of customers that do not pay their loans. (Taneta-Skwiercz, 2018).

Studies of recent show the highlight that digital debt recovery systems have really transformed collection so effectiveness within a given period of time. Aboagye and Otiaku (2023) found out that Ghanaian banks which use mobile based reminders and pay alerts have helped in achieving of high returns.

A collection policy which is effective increases loan repayments , helps to maintain working capital turnover and decreases non performing loans (Kariuki, 2010) however weak collection can results in very poor cash flow (Bonfim, 2009; Moyer, 2005).

Namatovu and Luyiga (2025) shows that a borrower with a consistent engagement and negotiated restructuring plans can improve the recovery rates so high without harming customer relationships with the bank and themselves. Kashyap et al. (2024) also mentioned through that digital payment there is increased transparency in reducing debts in East African banks.

## **2.4 Summary and Conclusion**

The literature reviewed and shown proves that credit management policies remain an important factor of financial performance of commercial banks with a country. Recent research (2023–2025) shows us to pay attention on customer-centered risk assessing.

Credit terms, credit standards and collection policies have to be considered in order to be more productive and generate high profits and also minimizing risk .

However, there is limited research on how in digital credit management systems can influence the bank performance within a period of time in Ugandan commercial banks. This gap justifies the present study on “Effects of Credit Management Policies on Financial Performance of Commercial Banks in Uganda: A Case Study of Equity Bank Mukono Branch.”

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 Introduction**

This chapter aimed to elucidate the methods used in data collection. These methods included the following: research design, population of the study, sample size, sampling techniques, sources of data, data collection methods, data analysis, and ethical considerations.

#### **3.1 Research Design**

A study design is a plan, structure, and strategy for investigation conceived to obtain answers to research questions (Williams & Garcia, 2023). The study employed a descriptive design incorporating both qualitative and quantitative approaches, utilizing primary and secondary data sources to draw valid conclusions. Descriptive research design was deemed a valid method for examining specific subjects compared to more quantitative studies (Kombo and Tromp, 2019). Despite some valid concerns about statistical validity, as long as the limitations were understood by the researcher, this type of study proved to be an invaluable scientific tool (Atllecia, 2021). The study was cross-sectional, with data collected from various categories of respondents at different times. Quantitative data were presented through means and standard deviations, while qualitative data were presented in the form of expressions provided in means and standard deviations.

#### **3.2 Study Population**

The population referred to the complete collection of all elements of interest in the particular investigation (Kothari, 2005). The researcher targeted a population of 40 people. This included respondents selected from the credit control department, top-level management, administrative staff, and the finance department.

### 3.3 Sample Size

The sample size in this study was limited to the information required for the research purpose. The sample size was determined using Slovin's Formula to arrive at an appropriate number of participants for the study. Slovin's (1961) formula states that, given a population, the minimum sample size is provided by: The sample size was calculated mathematically using the formula below:

$$n = \frac{N}{1 + Ne \times e}$$

Where; n = the sample size

N = total population of respondents.

e = the level of significance, that is 0.05

$$n = \frac{N}{1 + Ne \times e}$$

$$n = \frac{40}{1 + 40(0.05)(0.05)}$$

$$n = \frac{40}{1 + 40 * 0.0025}$$

$$n = \frac{40}{1.1}$$

$$n = 36.36$$

Therefore n = 36

A sample size of 36 respondents will be selected to participate in the study.

### 3.4 Sampling Procedure

In selecting samples for the study, both probability and non-probability sampling techniques were used. Specifically, the purposive sampling technique, a non-probability method, was employed to select top-level officials in the credit control department. This approach was chosen because it was believed that not all officials participated in credit control, so those specifically sought for information were selected for data collection.

Simple random sampling was used to choose procurement and logistics staff, ensuring that all respondents had an equal chance of being selected without bias.

Table showing sample size and sampling techniques

Source: Primary Data (2025) – Adapted from Lopez & Nguyen (2022) Sample Size Determination Method.

### **3.5 Sources of Data**

Both primary and secondary sources of data were obtained for the study.

#### **3.5.1 Primary Data**

The information used was collected from the field directly. I obtained my primary data from the field directly from respondents through the questionnaires that was given to them and through interviews conducted. The data generated and collected gave a reliable and accurate information which was relevant to the study carried out on credit management policies and financial performance of commercial banks.

#### **3.5.2 Secondary Data**

Secondary information obtained was got from different sources like the library, internet, journal articles, newspapers and research reports According to Attuja (2020). The use of this data was to gather the necessary information which was supposed to guide me to the conduct of the research project which helped to confirm data

### **3.6 Data Collection Tool**

#### **3.6.1 Data Collection Instrument**

The questionnaires was the instrument used for the collection of the primary data used for the study. It was suitable for information from all respondents cause it gave them free will and private answering. They helped in the collection of information which accurately matched with the reality .

interview times and busy schedules. According to Saunders (2019), questionnaires were used for explanatory research, allowing the study to examine and explain relationships between variables, particularly cause-and-effect relationships.

### **3.7 Data Analysis Techniques**

Quantitative data and information collected using closed-ended questionnaires were coded appropriately and entered into, and analyzed statistically with, specially designed computer-based packages for data analysis known as the Statistical Package for Social Scientists (SPSS) for correlation.

### **3.8 Validity and Reliability**

Reliability referred to the consistency, stability, or dependability of the data. The reliability of the instrument was enhanced by identifying the precise data needed and conducting repeated field testing. To ascertain the reliability of the study, a pilot study was conducted with employees of Equity Bank, where questionnaires were distributed to respondents. This process aimed to identify any unclear questions. Questions that provided ambiguous answers were revised and reformatted to ensure they would yield reliable responses during the final data collection process.

Validity referred to the extent to which a measurement achieved what it was supposed to do (Kothari, 2003). Data needed to be not only reliable but also true and accurate. If a measurement was valid, it was also reliable, but if it was reliable, it was not necessarily valid. In this study, the data were computerized and checked for accuracy to ensure they produced valid results. Questionnaires were completed correctly and managed to avoid contributing to incorrect conclusions.

## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATIONS, INTERPRETATIONS AND DISCUSSIONS

#### 4.1 Introduction

This chapter explains the methods that were used to analyze and present the study results. Each questionnaire, based on the different research objectives, was reviewed separately. Both quantitative and qualitative approaches were applied to make sure the findings were dependable and meaningful in addressing the research problem. The data was then analyzed, presented, and used to come up with the summary of findings and the final conclusions

#### 4.2 Findings on Demographic Characteristics of Respondents

This section provides background information about the respondents. It looks at aspects such as gender, age, level of education, job position in the organization, and the length of time they have worked. The details are presented in the table below.

**Table 1: Background Information about the respondents**

Item	Description	Frequency	Percentage (%)
Gender	Male	20	68
	Female	16	32
	<b>Total</b>	<b>36</b>	<b>100.0</b>
Working experience	1-4 years	15	47.5
	5-9 years	13	37.5
	10-15years	8	15.0
	15 and above	<b>0</b>	<b>0</b>
Level of education	Diploma	5	20.0

	Bachelor's degree	20	64
	Master's degree	5	17
	Others	6	20
	<b>Total</b>	<b>36</b>	<b>100.0</b>
Position in the company	Top management	6	15
	Middle	20	60
	Lower level	10	25
	<b>Total</b>	<b>36</b>	<b>100.0</b>

Table 1 above presents details about the respondents in terms of gender, work experience, education level, and their positions in the company. From the findings, most of the respondents were male (68%), while females made up 32%. Half of them has the working experience (47.5%) 1–3 years, 37.5% had 5–8 years of experience, and those who had a high work experience were only 15% had worked for 10–15 years.

After seeing education levels of the members whereby the largest group (64%) had a Bachelor's degree in the organization and those with Diplomas were (20%) and Master's degrees were (17%) and other categories (20%). In terms of job positions of the bank whereby the majority (60%) , middle management, 25% were lower-level employees and 15% was in top management.

### 4.3 CREDIT TREMS AND FINANCIAL PERFMANCE OF EQUITY BANK

Table 2 below shows responses on Credit terms and financial performance of Equity Bank

Statements	Mean	SD
The credit terms offered by our bank positively impact our financial performance	3.6	0.26
Flexible credit terms help attract more customers to our bank	3.3	0.24
Longer credit terms result in higher profitability for our bank	4.1	0.26
Adjusting credit terms based on market conditions enhances our financial stability	3.8	0.28
Transparent credit terms facilitate better financial planning for our bank	4.0	0.3
Adapting credit terms to customer needs enhances our competitive advantage	4.1	0.3
Effective communication of credit terms improves trust with our customers and stakeholders	4.0	0.33

The above table 2 above, the results in the table present that respondents agreed that the credit terms which are undertaken and offered to people by the Bank help in generating profits. It is supported by score mean 4.1 where the standard deviation was also 0.26. This suggests that the bank has credit policies which play an important use in increasing its financial performance.

The results show flexible credit terms which help in attracting more customers to Equity Bank which is shown by score mean 3.3 which had standard deviation 0.24.

Longer credit periods were also said that they contribute to increased profitability with mean of 4.1 and their standard deviation 0.26. It also shows that long credit terms are important in increasing the earnings.

The study findings stated that credit terms change depending on market conditions which can contribute to the bank's financial stability. The mean score was of 3.8 and the standard deviation was 0.28

The study finding also found out that modifying credit terms to suit customer needs was very important for improving competitive which had a mean score of 4.1 and a standard deviation of 0.3.

Also, proper communication of credit terms is considered very important in improving trust with customers and other stakeholders.

#### **4.4 CREDIT STANDARDS AND FINANCIAL PERFORMANCE OF EQUITY BANK**

**Table 3 below shows responses on Credit standards and financial performance of Equity bank**

<b>Statements</b>	<b>Mean</b>	<b>SD</b>
Strict credit standards reduce the risk of loan defaults to our bank	4.1	0.3
Clear credit standards improve our bank's reputation in the market	3.8	0.2
Adhering to credit standards enhances our financial stability	3.7	0.2
Consistent application of credit standards boosts our profitability	3.3	0.3
Flexibility in credit standards allows our bank to seize more opportunities from clients	4.6	0.3
Well-defined credit standards lead to better risk management to our bank	4.1	0.3
Effective monitoring of credit standards minimizes financial losses to our bank	4.0	0.3

The above table show that most respondents strongly agreed to having a credit standards which are very strict whereby this helps in decreasing the risk of bad debts. The mean score of 4.1 and a standard deviation of 0.3, indicating that these standards are useful.

The table also shows a clear credit standards to improve the image of the bank in the market growth and share .It had a mean score of 3.8 and standard deviation was 0.2. It shows that the bank's credit policies are understood.

The following credit standards were seen that they can also contribute to the financial stability at Equity Bank. It had a mean score of 3.7 and a standard deviation of 0.2 and it that following guidelines helps stability of the bank financially .

It shows that credit standards can improve profits. It had mean score of 3.3 and a standard deviation of 0.3 which means implementation has a positive effect in performance.

It also has a well structured and clear defined credit standards with the mean score of 4.1 and a standard deviation of 0.3 which shows that proper guidelines help the bank manage risks .

It also monitors credit standards closely which was seen to be an important aspect in reducing financial losses which had mean score of 4.0 and a standard deviation of 0.3 and this shows that supervision and monitoring is a good thing.

#### **4.5 COLLECTION PROCEDURE AND FINANCIAL PERFORMANCE OF EQUITY BANK**

**Table 4 below shows responses on Collection procedures and financial performance financial performance of Equity bank**

Statements	Mean	SD
A structured collection policy reduces our bank's non-performing assets	3.8	0.2
Timely collection efforts enhance our overall financial health	4.0	0.3
Adhering to collection policies improves our cash flow management	4.4	0.3
Efficient collection policies contribute to our bank's profitability	3.4	0.2
Clear communication of collection policies improves our customer relations	4.2	0.3
Adjusting collection policies based on market conditions improves our financial performance	4.1	0.3
Effective monitoring of collection policies minimizes credit risks to our bank	4.0	0.3

The above table shows the findings that respondents generally agreed that having a well organized collection policy helps in management. It is shown where mean score of 3.8 and a standard deviation of 0.2 which shows that such policies are important..

The table shows that making collections on time , this helps in improving the financial condition of the bank which had mean score of 4.0 and a standard deviation of 0.3 and it says that timely follow-ups are helpful .

The following are the set collection procedures which have seen to improve cash flow management which has a mean score of 4.4 and a standard deviation of 0.3 and also respondents accepted communicating collection policies which improves customer relationships by a mean score of 4.2 and a standard deviation of 0.3.

In the table , collection policies which is according to market conditions is found to help financial performance at a mean score of 4.1 and a standard deviation of 0.3 and it presents that flexibility in market changes is beneficial.

Also , proper monitoring of collection policies a key in reducing credit risks which is shown at a mean score of 4.0 and a standard deviation of 0.3.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

#### 5.0 Introduction

The chapter shows the summary and explanation of my findings of the study. And it shows the conclusions drawn, recommendations for policy, and suggestions for further research.

#### 5.1 Summary of Findings

##### 5.1.1 Credit terms and financial performance of Equity Bank

This study revealed how Equity Bank's use of credit terms which have greatly helped in the improving of its profits in a period of time. Many accepted that offering longer repayment periods can also help the bank increase its finances. Its in line with studies by Berger and Udell (2020) and Xu et al. (2019), where it revealed that longer credit periods given to customers can strengthen customer relationships and increase lending.

The bank's ability to adjust the credit terms should be based on customer needs given it has a competitive advantage. Customizing of the banks credit policies can help the bank remain strong in the market and very competitive. Beck et al. (2018) and Białowolski and Weziak-Białowolska (2021), they put focus on the importance of customer focused credit policies which helps in performance.

##### 5.1.2 Credit standards and financial performance of Equity Bank

The study findings reveal strict credit standards help to reduce bad debts at Equity Bank. They accept that strict policies help in controlling risk. It proves that studies by Altman et al. (2017) and Dietsch and Petey (2021), they highlighted the importance of strict credit assessment which reduce risk

Clear credit standards which were used by the bank to improve their reputation. When policies clarified and communicated they help build trust in the market. It is similar to Marcucci and Quagliariello (2019), who talked about the importance of clear standards.]

Following these standards the bank can be strengthened financial and also become financially stable. Staying with the same credit guidelines which are consistent can help to maintain a strong financial position which was found by Laeven and Valencia (2018) and Acharya et al. (2020).

Lastly, having clear and well-structured credit standards improved risk management. This supports the work of Rajan et al. (2015) and Drehmann et al. (2020), who pointed out that strong credit systems help in controlling financial risks.

### **5.1.3 Collection procedures and financial performance of Equity Bank**

The findings also found that Equity Bank has a structured collection policy and helps in decreasing non-performing loans where by the proper collection systems are important in minimizing defaults and this was supported by Berger and Udell (2019).

Payments that are collected timely can improve the bank's financial health. Quick follow ups help m to maintain stability which is supported by Brown and Zehnder (2018).

According to Deloof (2020), following collection procedures properly it improves cash flow management within the bank finances. This shows that discipline in collections is important for smooth operations

Good collection practices helped increase revenue which is consistent with what was found by Scherr and Hulburt (2021). Efficient collection systems were also linked to higher profitability.

Regular monitoring of activities helped reduce credit risks within the bank in a given period of time which is supported by Mester (2020).

## **5.2 Conclusions**

The study shows that a strong relationship between credit terms, collection procedures credit standards and the financial performance of Equity Bank is within the organization . The results reveal that well planned and properly implemented credit collection policies help reduce risks and improve profits in the long run.

Respondents accepted that flexibility and clear communication are very important in taking advantage of market opportunities on the market and increases market share which helps in maintaining good customer relationships.

Overall, the findings show that good managing of credit and collection practices is an important role in the performance of a bank. The results follow the line of the existing studies which show the effective systems help to decrease risks, improve cash flow and increase profits.

### **5.3 Recommendations**

To improve its performance and maintain , Equity Bank should keep use effective credit terms and how they collect their returns. It should keep being flexible in its credit policies so that it can meet different customer needs in a given period of time.

The bank should keep focus on communication to build trust and strong relationship with their customers and stakeholders.

#### **5.3.1 Further Recommendations**

The should consider using advanced and modern technologies in credit analysis and collection processes. This can help to improve efficiency.

The bank should also invest in training so that employees can keep learning new skills and this increases effectiveness and efficiency. Updating of credit and collection policies also helps the bank to respond well to market changes and stay competitive.

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## APPENDICES

### QUESTIONAIRES.

Dear Respondents,

My name is Miilo Elizabeth Nangobi a student of Uganda Christian university-Mukono pursuing a bachelor of science in accounting and finance Registration number S23B33/039 carrying out under research topic entitled “Effect of credit management policy on financial performance of commercial banks” case study of Equity bank Mukono. Please kindly spare your time and fill in my questionnaire, the purpose of carrying out the research is purely for academic purposes, I will be grateful when my request positively responded to.

Yours faithfully.

#### SECTION A: Profile of Respondents

Please fill and use a tick to indicate your responses, (where applicable}

##### 1. Gender of respondents

Male	Female

##### 2. Position in the company

Top management position	Middle management position	lower mgt position

##### 3. Level of Education

PhD	Masters	Bachelors	Diploma	Certificate

**4. Level of Experience in the current field of work**

1 to 4 years	5 to 9 years	10 to 14 years	15 and above

**SECTION B:**

**CREDIT TREMS AND FINANCIAL PERMONCE OF EQUITY BANK**

Please read the following statement and tick the correct box following the scale below

<b>1</b> <b>Strongly disagree</b>	<b>2</b> <b>Disagree</b>	<b>3</b> <b>Neutral</b>	<b>4</b> <b>Agree</b>	<b>5</b> <b>Strongly agree</b>
--------------------------------------	-----------------------------	----------------------------	--------------------------	-----------------------------------

No	Statements	1	2	3	4	5
1	The credit terms offered by our bank positively impact our financial performance					
2	Flexible credit terms help attract more customers to our bank					
3	Longer credit terms result in higher profitability for our bank					
4	Adjusting credit terms based on market conditions enhances our financial stability					
5	Transparent credit terms facilitate better financial planning for our bank					
6	Adapting credit terms to customer needs enhances our competitive advantage					
7	Effective communication of credit terms improves trust with our customers and stakeholders					

**SECTION C:**

**CREDIT STANDARDS AND FINANCIAL PERFORMANCE OF EQUITY BANK**

Please read the following statement and tick the correct box following the scale below

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>

No	Statements	1	2	3	4	5
1	Strict credit standards reduce the risk of loan defaults to our bank					
2	Clear credit standards improve our bank's reputation in the market					
3	Adhering to credit standards enhances our financial stability					
4	Consistent application of credit standards boosts our profitability					
5	Flexibility in credit standards allows our bank to seize more opportunities from clients					
6	Well-defined credit standards lead to better risk management to our bank					
7	Effective monitoring of credit standards minimizes financial losses to our bank					

**SECTION D:**

**COLLECTION PROCEDURE AND FINANCIAL PERFORMANCE OF EQUITY BANK**

Please read the following statement and tick the correct box following the scale below

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>


<b>No</b>	<b>Statements</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	A structured collection policy reduces our bank's non-performing assets					
2	Timely collection efforts enhance our overall financial health					
3	Adhering to collection policies improves our cash flow management					
4	Efficient collection policies contribute to our bank's profitability					
5	Clear communication of collection policies improves our customer relations					
6	Adjusting collection policies based on market conditions improves our financial performance					
7	Effective monitoring of collection policies minimizes credit risks to our bank					

# Millo Elizabeth Nangobi

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