

**CREDIT MANAGEMENT AND FINANCIAL PERFORMANCE OF LENDING  
INSTITUTIONS: A CASE STUDY OF BRAC MBALE BRANCH**

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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  
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**UGANDA CHRISTIAN  
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## **DECLARATION**

I declare that this research dissertation is my original work and has not been presented for any award at any University

Signature: 

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**APPROVAL**

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Signature:  ..... DATE: 

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**(supervisor)**

## **DEDICATION**

I dedicate this work to my beloved father and my brothers. Your unwavering support, encouragement, and belief in me have been a constant source of inspiration throughout my academic journey.

## ACKNOWLEDGEMENT

I extend my heartfelt gratitude to my beloved Father and my mother along with my brothers and others in our family circle. I am profoundly grateful to my mother for her unwavering support and generosity in funding my education. Her commitment to my academic journey has been instrumental in enabling me to pursue and complete my studies. Without her financial support and encouragement, achieving this milestone would not have been possible.

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## ABSTRACT

The efficient management of credit plays a very important role in the financial performance of Lending institutions. This research focuses on exploring the impact of credit analysis, credit risk controls, and credit collection policy on the financial performance of Brac Mbale Branch. The objectives of this study were to assess the effect of credit analysis on the financial performance of the bank, to determine the influence of credit risk controls on financial performance, and to analyze the effects of credit collection policy on financial outcomes. The researcher used a descriptive research design that aims to systematically obtain information to describe a population. It helps answer the what, when, where, and how questions regarding the research problem rather than the why. Data was collected from Brac Mbale Branch, utilizing both qualitative and quantitative research methods. The findings indicate that credit analysis has a positive correlation ( $r = 0.65$ ) and a regression coefficient ( $\beta = 0.48$ ) with financial performance; credit risk controls show a stronger correlation ( $r = 0.72$ ) and regression coefficient ( $\beta = 0.56$ ); and credit collection policy also has a significant correlation ( $r = 0.69$ ) and regression coefficient ( $\beta = 0.52$ ) with financial performance. In conclusion, credit analysis significantly impacts financial performance, and it is recommended to enhance the process by adopting advanced credit scoring models and continuous training for credit officers. Effective credit risk controls are crucial for improving financial performance, and it is recommended to strengthen credit risk management frameworks by incorporating robust risk assessment tools and regular monitoring. An efficient credit collection policy positively affects financial outcomes, and it is recommended to implement stricter credit collection policies and follow-up procedures, and consider adopting technology-driven solutions to streamline the collection process. These insights are expected to not only contribute to academic knowledge but also offer practical recommendations for improving credit management practices within the banking sector.

# CHAPTER ONE

## INTRODUCTION

### 1.0 Introduction

The banking industry is one of the sectors of Uganda's economy, whose services are ever on demand by individuals and corporate organizations. This chapter presents a background to the study, content, and statement of the problem, purpose of the study, objectives, and Research questions, scope of the study, significance of the study, conceptual framework and definitions of terms.

### 1.1 Background of the study

#### 1.1.1 Historical background

Historically, Credit management was considered a back-office function, a separate collection role outside a company's core business with a short-term horizon, having as its main objective the reduction in DSO and risk mitigation (Scheufler, 2002). In America, Credit management started in the 1800s by Bartering General store. It began by giving first credit Monthly, seasonal and yearly credit. Bank loans had very high interest rate (Sommer et al., 2017). In the 1900s, there was a shift from an agricultural to a labor-based economy, marked by weekly paychecks and increased consumer spending on luxuries. This led to credit becoming its own business (Scheufler, 2002).

In the 1970s, US credit protection laws were introduced as credit abuse and overuse became common (Sommer et al., 2017). Today, the internet has exploded the use of credit cards by consumers and businesses, extending beyond traditional financial institutions to include non-microfinances like stores and gas stations. Credit offers benefits such as convenience, enabling "buy now, pay later" transactions and providing a safety net for emergencies. However, it also comes with costs, including the risk of overspending, accruing interest, and fees that may sacrifice other spending priorities.

Scheufler, B. (2002), noted that one of the key players in the banking industry of the United Bank for Africa. The popularity of Lending institutions is not because they are the only legally or commercially recognized financial intermediary in the system but because of their sound branch network, broad customer base and the ease with which people transact business with them The intermediary role of the Lending institutions culminates in the extension of credit facilities such as loans/advances and

investments through which they make funds available for individuals and corporate organizations. With this single function Lending institutions help increase the level of economic activities in the society

The contribution of credit facilities by the banking sector towards achieving economic growth and development in Uganda in general plays a crucial role to the survival of any business organization. The growth and development of every nation starts when the domestic needs are satisfied. Such needs include food security, shelter, and education and reduced unemployment rate. The banks through their services contribute immensely toward achieving these needs. The success or failure of a bank by and large depends greatly on its ability to grant credit facilities and make substantial profits from them. For most people therefore, Lending institutions' lending represents the heart of the industry. Loans dominate banks asset holding and generate the largest share of their operating income.

It is a known fact that not all credit facilities provided by banks are collected back. Some banks in Uganda (Crane Bank) have been liquidated as a result of bad debts. The current state of our economy is a pointer to the fact that banks need to improve on their services as it relates to bridging the gap between the surplus and deficit units of the economy. Thus, a good management scheme was to help to reduce the amounts which may be lost as bad debts and also in the collection process and period. (Uganda central Bank report, 2017)

Sommer ,S.et al.,(2017) , acknowledged that Currently banks are facing more challenges now in light of the global economic meltdown. The credit crunch is impacting negatively on the capital raising activities of Lending institutions. What is happening now is that credit has become more expensive than it used to be (Ebong, 2008.) Central Bank of Uganda, believes that the liquidity squeeze in Uganda is peculiar in the sense that the problem is not just of inadequate liquidity, but people are becoming more conscious of what is going on and are trying to conserve what they have that is why inter- bank lending is literally drying up

This industry occupies a key position in the nation economic development and growth and as such, must not be allowed to collapse as that was having enormous catastrophic consequences on the economy of our nation. The industry has a positive or negative impact on the growth, employment, risk, size and survival of the nation economy depending on the management and performance of the sub-sector, of the economy. Perhaps, it was wiser than only persons with reputations and integrity and those who are

knowledgeable and trained should be deemed fit and proper to carry on banking business in order to infuse the eroded depositor's confidence and restore sanity in the industry

In the past, the bank owner was euphoric over their success, delighted with the profits but is surprised when the huge profits are compared with the bad and doubtful debts. At this juncture, it is a glaring indication that most banks were only declaring mere paper profits and it became very obvious that the banks performance were below expectations. Hence, nowadays no sooner that bank declares huge profits than they resort to the capital market to source for funds. For example, the case of Crane Bank that declared profits yet they had bad and doubtful loans, (BOU, 2017)

### **1.1.2 Conceptual background**

Credit management is one of the most important activities in any company and cannot be overlooked by any economic enterprise engaged in credit irrespective of its business nature. It is the process to ensure that sales agents were paying for the products delivered or the services rendered. Myers and Brealey (2003) describe credit management as methods and strategies adopted by a firm to ensure that they maintain an optimal level of credit and its effective management. It is an aspect of financial management involving credit analysis, credit rating, credit classification and credit reporting. Nelson (2002) views credit management as simply the means by which an entity manages its credit sales. It is a prerequisite for any entity dealing with credit transactions since it is impossible to have a zero credit or default risk. A key requirement for effective credit management is the ability to intelligently and efficiently manage customer credit lines. In order to minimize exposure to bad debt, over reserving and bankruptcies, companies must have greater insight into customer financial strength, credit score history and changing payment patterns. Credit management starts with the sale and does not stop until the full and final payment has been received. It is as important as part of the deal as closing the sale. In fact, a sale is technically not a sale until the money has been collected. It follows that principles of goods lending shall be concerned with ensuring, so far as possible that the borrower was able to make scheduled payments with interest in full and within the required time period otherwise, the profit from an interest earned is reduced or even wiped out by the bad debt when the customer eventually defaults. According to Kenneth D. (2016), Credit management is concerned primarily with managing debtors and financing debts. The objectives of credit management can be stated as safe guarding the company's investments in debtors and optimizing operational cash flows. Policies and procedures must be applied for granting credit to sales agents, collecting payment and limiting the risk of non-payments. Credit terms, credit policies, and

collection policies are some of the components of credit management, these components help in the proper management of credits in Brac Mbale branch to ensure performance.

Performance of Lending institutions Involves analyzing bank's performance against its objectives and goals. In other words, commercial Bank's performance comprises real results or outputs compared with intended outputs. The analysis focuses on three main outcomes, first, shareholder value performance; second, financial performance; and third, market performance.

Joetta C. (2007), Many types of professionals, including strategic planners, focus on organizational performance.

The performance of Lending institutions has got several measurements which include the following; Return on Investment, Return on Revenue, Return on Assets and profitability, Return on equity among others, (Beyond, 2010).

The following are some of the measures that I used in measuring the performance of Brac Mbale branch and they include the; the client's base, ratio of inputs to output, compare qualitative planes, objectives and results, evaluating employee work quality, solicit customer feedback.

### **1.1.3 Theoretical background**

#### **Transactions Costs Theory**

First developed by Schwartz (1974), this theory conjectures that suppliers have an advantage over traditional lenders in checking the real financial situation or the credit worthiness of their clients. Suppliers also have a better ability to monitor and force repayment of the credit. All these superiorities may give suppliers a cost advantage when compared with financial institutions. Three sources of cost advantage were classified by Petersen and Rajan (1997) as follows: information acquisition, controlling the buyer and salvaging value from existing assets. The first source of cost advantage can be explained by the fact that sellers can get information about buyers faster and at lower cost because it is obtained in the normal course of business. That is, the frequency and the amount of the buyers orders give suppliers an idea of the client's situation; the buyer's rejection of discounts for early payment may serve to alert the supplier of a weakening in the credit-worthiness of the buyer, and sellers usually visit sales agents more often than financial institutions do.

#### **Asymmetric Information Theory**

Information asymmetry refers to a situation where business owners or manager know more about the prospects for, and risks facing their business, than do lenders (PWHC, 2002) cited in Eppy.I (2005). It describes a condition in which all parties involved in an undertaking do not know relevant information. In a debt market, information asymmetry arises when a borrower who takes a loan usually has better information about the potential risks and returns associated with investment projects for which the funds are earmarked. The lender on the other hand does not have sufficient information concerning the borrower (Edwards & Turnbull, 1994). Binks et al (1992) point out that perceived information asymmetry poses two problems for the banks, moral hazard (monitoring entrepreneurial behavior) and adverse selection (making it is not economical to devote resources to appraisal and monitoring where lending is for relatively small amounts. This is because data needed to screen credit applications and to monitor borrowers are not freely available to banks. Bankers face a situation of information asymmetry when assessing lending applications (Binks and Ennew, 1996, 1997). The information required to assess the competence and commitment of the entrepreneur, and the prospects of the business is either not available.

#### **1.1.4 Contextual background.**

The performance of Lending institutions in Uganda is stabilizing. In the address to the bankers, the Deputy Governor Bank of Uganda (BoU), Dr Louis Kasekende said over the course of the first nine months of 2017, the financial soundness indicators of the banking system have improved.

“The non- performing loan to total loan ratio has fallen from 10.5 per cent in December 2016 to 7.2 per cent in September 2017; and in absolute terms, NPLs fell by 32 per cent, over the same period, the total capital adequacy ratio of the banking system increased from 19.8 per cent to 23.8 per cent of its risk weighted assets. Strong capital buffers are of particular importance in bolstering the resilience of banks adverse shocks,” he said.

Since the past year was described as a difficult year for banks in Uganda, with banks registering high levels of Non- Performing Loans, lower profitability, among others. (Daily Monitor Wednesday December 6 2017) .The NPLs has adversely affected Uganda’s banking industry since 2011. Some have gone to under due to huge NPLs. Out of the 24 banks; its only Citibank that has Zero NPLs. Brac didn’t indicate its NPLs in the financial statements and the general NPLs were not obtained. Excluding Brac, industry NPLs increased to shs577.09bn in 2017, up from shs572.39bn in 2016. It’s not surprising that the bad loans in the industry have risen to Ush1.trillion (\$438.8million) out of a total

credit portfolio of Ush10trillion (\$2.7billion). (The East African, Thursday august 24 2017). To be successful in the long run, a bank needs to keep the level of bad loans at a minimum so that it can still earn a profit from giving out loans.

The performance of United Bank for Africa is declining as the performance of Lending institutions in Uganda is said to be stabilizing, Brac Mbale branch is one of the banks that realized net profit of Sh100.27billion in 2017, down from Sh109.9bn recorded in 2016. (Business Focus Monday, June 4, 2018). However United Bank for Africa was also among the top banks with high NPLs. Its NPLs increased to sh62.2bn in 2017, up from Shs35.6bn. and bad loans written off of sh80.2 billion in 2017, (Nile post, May/13/2018). If the bad loans interest rate was at 20% of sh80.2billion then Bank must have lost around sh16.04billion interest plus the sh80.2 billion the bank lost around sh96.24bilon in 2017, thus this affected the performance of the bank hence drop down on its profits. Brac Mbale branch inclusive had high a slight drop in her profits by 8.8%.

## **1.2 Statement of the problem**

As the economy comes to a standstill as a result of the Covid-19 lockdown or restrictions in clients carrying out their activities freely, financial institutions such as banks have found it hard to manage its financial performance in terms of non- performing loans (Matovu, 2020). However, according to Brac Mbale branch Annual Report (2019), the non-performing loans had grown to 3.6% in 2019 as compared to 2.6% in 2018 thus indicating a trend that was already getting out of hand even before the Covid-19 pandemic. The bank appears to have failed in achieving its planned financial performance thus causing failure in recovery of loaned money despite having policies like collaterisation of loans, loan tracking system and debt recovery unit as noted in the Brac Mbale branch Annual Report (2019) indicating that they have the capacity to manage any credit risk.

Brac Mbale branch non-performing loans have increased from 39.8 billion in 2018 to 60.82 billion 2019 and the bad loans written off increased from shs.25.9 billion in 2018 to shs.128.8 billion in 2019 (Brac Mbale branch Annual Report, 2019). The rate of growth of non-performing Assets (NPA) and foreclosure has steadily increased over the years as noted in the above data transition (2018 to 2019 reporting). It is evident that Brac Mbale branch loan loss rate increased from 1.0% in 2018 to 1.2% in 2019 and the number of outstanding loans increased from 1.53 billion in 2018 to 1.74 billion in 2019

(Brac Mbale branch Annual Report, 2019). Whether this is due to failure to recover the loaned money is the question subject to debate in this study. Hence if this situation continues, Brac Mbale branch is more likely to lose its reputation there by causing discontent among its clients. This therefore raises concern hence prompting an investigation into examining how credit management practices affect financial performance of Lending institutions in Uganda drawing an empirical investigation on Brac Mbale branch.

### **1.3 The purpose of the study**

To examine the effect of credit management on financial performance of Lending institutions in Uganda using Brac Mbale branch as a case study.

### **1.4. Objectives of the study**

- i. To determine the effect of credit analysis on financial performance of Brac Mbale branch
- ii. To find out the effects of Credit Risk Controls on financial performance of Brac Mbale branch
- iii. To analyze the effects of Credit collection policy on financial performance of Brac Mbale branch

### **1.5 Research Questions**

The study was based on the following research questions:

- i. What is the effect of credit analysis on financial performance of Brac Mbale branch?
- ii. What are the Effects of Credit Risk Controls on financial performance of Brac Mbale branch?
- iii. What is the Effects of Credit collection policy on financial performance of Brac Mbale branch?

### **1.6 Scope of the study**

#### **1.6.1 Geographical Scope of the study**

The study was conducted at Brac Mbale branch because its performance with bad loans written off increasing year after year from 2011 up to now and this research is conducted in Brac Mbale branch for that reason. This is situated at plot 3 along Republic Street, Mbale district.

#### **1.6.2 Content of the study**

The study was confined to the credit analysis, credit risk controls and credit collection policy as the independent variable and financial performance of Lending institutions as the dependent variable.

### **1.6.3 Time scope**

The study covered a period from 2018 to 2022 (5years). During this period Brac Mbale branch performance was staggering with increase on bad loans making it a palatable place where a researcher could not obtain the required information that would suit the specific objectives of the study.

### **1.7 Significance of the study**

This research work is of paramount importance to various categories of users. These users include:

**The Bank Management:** it is of significance to the banks as it can enable them appreciate the critical role performance and the various measures to adopt to sustain optimal performance and growth.

**The Government:** It is of significant to the government as it can enable government to design credit policy procedures and guidelines that would enhance Lending institutions growth and could also put measures in place to ensure proper monitoring and strict compliance with laid down rules and procedures.

**The competitors:** It may help competing firms to design measures which shall help them to survive in such a highly competitive environment and market.

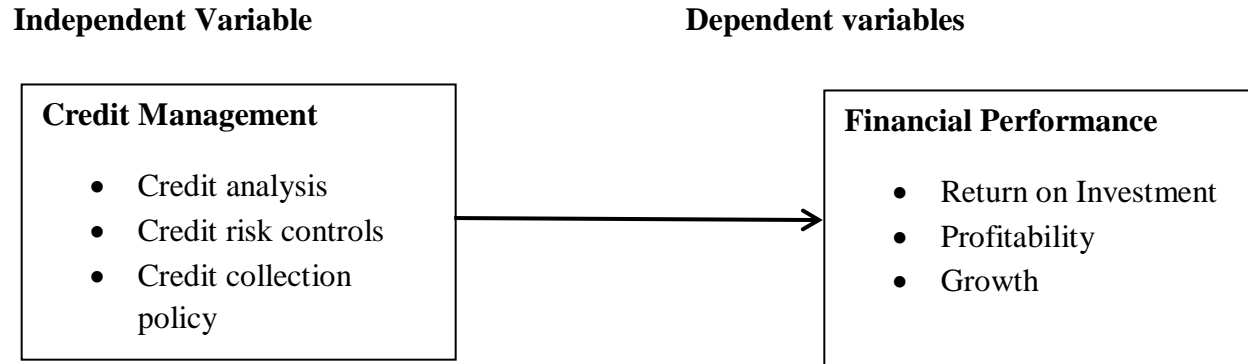
**The students and researchers:** It is of tremendous help to students and other researchers who embark on research in the same area as it serves as a guide and source of further reference.

**The general public:** It can help the public to know the role credit management plays in the performance of Lending institutions. It also enabled them to know whether banks have in place good credit policies that enhance their performance.

### **1.8 Justification**

There has been a problem of big amounts of bad loans written off and non-performing loans by the Lending institutions in Uganda and there is no research that has been conducted to find out how bad loan and non-performing loans affect the performance of Lending institutions in Uganda. This study would fill the above gap by finding out the effect of credit management on performance of Lending institutions in Uganda especially Brac Mbale branch.

Figure 1. The Conceptual Framework



**Source:** Adopted from Amin (2005) and modified by researcher 2024

According to Kothari (2000), Conceptual framework is a basis structure that consists of certain abstracts blocks which represents the observational, the experimental and the analytical aspects of a process or system being conceived. The main independent variable is credit management and the dependent variable is financial performance. Credit management comprises of credit analysis, credit rating and credit classifications. The dependent variable includes, return on investment, profitability and growth.

### 1.9 Definition of key terms

For purpose of this study certain words and concepts were used which appeared obscure to a reader not well versed in the field of finance. It is therefore pertinent to define such words or terms as used in this study to make them easily understandable to any interested party. Such terminologies and words are there defined below as used in the study.

**Bank:** A commercial institution that takes deposits and extends loans. Banks are concerned mainly with making and receiving payments on behalf of their sales agents, accepting deposits, and making short term loans to private individuals, companies and other organizations. However, they also provide money transmission services and in recent years have diversified into many areas of financial services. Akyezuilo, U (2010)

**Bank Loan:** A specified sum of money lent out by a bank to a customer, usually for a specified period, at a specified rate of interest. In most cases banks require some form of security for loans. Ezekie E.S (2011)

**Credit.** The reputation and financial standing of a person or organization. The sum of money that a bank allows a customer before requiring payment.

**Credit control:** Any system used by a bank to ensure that its outstanding debts are paid within a reasonable period. It involves establishing a credit policy.

**Credit Rating:** Nwankwo ,G.O (2012) , affirmed that credit rating refers to an evaluation of the credit risk of a prospective debtor (an individual, a business, company or a government), predicting their ability to pay back the debt, and an implicit forecast of the likelihood of the debtor defaulting. The credit rating represents an evaluation of a credit rating agency of the qualitative and quantitative information for the prospective debtor, including information provided by the prospective debtor and other non-public information obtained by the credit rating agency's analysts. An assessment of the credit worthiness of an individual, i.e. the extent to which they can safely be granted credit

**Management:** This is that managerial activity which is concerned with the planning and controlling of the organizations' finances, to make profit for its owners. Management consists of the interlocking functions of creating corporate policy and organizing, planning, controlling, and directing an organization's resources in order to achieve the objectives of that policies

**Performance:** The accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed. In a contract, performance is deemed to be the fulfillment of an obligation, in a manner that releases the performer from all liabilities under the contract. The process of developing standards geared towards attaining certain predetermined goals

**Credit analysis:** Is the method by which one calculates the creditworthiness of a business or organization. In other words, it is the evaluation of the ability of a company to honor its financial obligations. The audited financial statements of a large company might be analyzed when it issues or has issued bonds. Or, a bank may analyze the financial statements of a small business before making or renewing a commercial loan. The term refers to either case, whether the business is large or small. Peters, R. (2007)

**Credit rating:** Is an assessment of the creditworthiness of a borrower in general terms or with respect to a particular debt or financial obligation. A credit rating can be assigned to any entity that seeks to borrow money an individual, corporation, state or provincial authority, or sovereign government.

**Loan classification:** According to Williamson.(2011) noted that a classified loan is any bank loan that is in danger of default. Classified loans have unpaid interest and principal outstanding, and it is unclear whether the bank was able to recoup the loan proceeds from the borrower. It is differentiating, grouping or arranging or categorizing of loans and advances based on the perceived risk and other relevant characteristics.

**Credit Reporting:** This is simply the exchange of permissible information on borrower performance and repayment behavior, A *credit report* is a detailed breakdown of an individual's *credit* history prepared by a *credit* bureau. *Credit bureaus* collect financial information about individuals and create *credit reports* based on that information, and lenders use the *reports* along with other details to determine loan applicants' credit worthiness.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter reviews existing and related literature as it concerns the topic in focus. It was a survey of the views and opinions of various scholars, authors and individuals on the effect of credit management on the performances of Lending institutions in Uganda.

#### **Information Theory of Credit**

Information theories of credit allude to the measure of credit to firms and people would be bigger if banks could better predict the likelihood of reimbursement by their potential clients. Along these lines, more monetary foundations think about the record of loan repayment of planned borrowers, the more profound credit markets would be. Open or private credit registries that gather and give expansive data to money related establishments on the reimbursement history of potential sales agents are vital for extending credit markets. The information that every party to a credit exchange conveys to the market would have imperative ramifications for the way of credit gets; the capacity of credit markets to match borrowers and loan specialists proficiently and the pretended by the rate of enthusiasm for apportioning credit among borrowers. The way of credit markets can prompt particular parts for various sorts of moneylenders and distinctive sorts of borrowers (Walsh, 2003).

Houge and Loughran (2000) observed that speculators tend to concentrate on current income and disregard bookkeeping collections and income proclamations while surveying a potential candidate, in spite of the way that these two ignored components may give better data and have more prominent prescient esteem than current profit. One method for enhancing decision making is to learn from past failures through provision of accurate information on each party.

#### **Credit management Procedures**

Pyle, D. (2011), stated that to achieve the good goals of credit management policy banks should adopt the use of credit procedures. To Franklin, credit procedures are specific ways in which top management requires the credit department to achieve the credit management policies. The credit procedures include instructions on what data to be used for credit investigation and analysis process, provide information for data approval process, account supervision and instances requiring management's notification. Such

credit collection efforts include the use of reminders, insurance policy, the use of litigation and final write off as highlighted below:

### **2.1 Effect of Credit analysis on performance of Brac Mbale branch**

Robinson, Frank, H.G. and Loving, C.F (2017), stated that the use of the 5c's is among the techniques Lending institutions use in analyzing credit and considering loan request. The names of these C's are Condition, Character, Capacity, Collateral, and Capital. These elements have a universal application in credit evaluation to manage the risk levels of borrowers. (Wachira, 2017) also presented the view that, then banks make a wrong lending decision it has the highest probability of the loan going bad. In addition, according to Owusu-Dankwa and Gyamfi (2013), the 5c's model is used by Lending institutions in Ghana to determine the creditworthiness of borrowers and it impacted on the quality of the loan portfolio. The banking sector stability report issued by Bank of Ghana (2017) indicated that there were thirty-three banks with universal banking license of which seventeen are foreign controlled and sixteen domestic controlled. The report depicted that non-performing loan (NPL) rate has been increasing. The March 2017 report stated NPL rate of 17.7% as compared to 15.6% in February 2016 (Bank of Ghana, 2016) whereas the July 2017 indicated NPL rate of 21.2% as against June 2016 NPL rate of 18.8%

The reasons given for these poor performances of the NPL rate were due to the downgrade of banks loans portfolio in 2016 as indicated in the Asset Quality Review (AQR) report and the energy sector debt. The NPL portfolio as at June 2017 has private firms contributing 94.9% and this is an indication of poor credit analysis of loan applicants. The above situation gives an indication of how credit analysis with 5c's is important. A study in Ghana by Addae- John A.(2018) has poor loan appraisal also as a cause of loan default. The quality of loan appraisal with 5c's has an impact on loan default (Ojala & Otieno, 2015). This study is to determine the importance and the weight banks in Ghana put on each the 5c's in credit analysis of loan applicants.

Kariuki J. (2010), expressed that choices with respect to credit chance appraisal concern the assessment of the organizations' monetary and non-money related qualities keeping in mind the end goal to make "ideal" choices that join an exchange off between the potential danger of misfortune and the likelihood of benefits from allowing credit. Really, credit-giving choices are normally acknowledged by acknowledge and money related investigators as sorting (ordering) the organizations looking for financing from banks or credit establishments into classes as per their reliability (i.e., financially sound

and ruined firms). In financial decisions, it is an obligation of credit/monetary investigators to research a vast volume of financial and non-financial information of firms, in order to gauge the corresponding credit risk and finally make crucial decisions regarding the financing of firms. Sharma & Kalra, (2015) on the other stated that the assessment of capacity is to determine the ability of the borrower to repay the loan. The submitted financial information helped in the determination of the borrower's capacity. Kabir, Jahan, Chisty & Hasin, (2010) also said that Capacity may be calculated by comparing cash generated to pay the loan. The prediction of capacity can be known by using performance factors of Net Profit Margin, Debt Service Coverage Ratio and Quick Ratio.

According to Pike, R and Neale, B. (2013), who affirmed that credit analysis, can also be done by looking at the characters of the clients. This assessment is performed to check the integrity and trustworthiness of the borrower. Their past borrowing records are investigated for honesty in loan repayment without compulsion. Kabir, Jahan, Chisty & Hasin, (2010) added that character is a moral and human factor assessment of business ethics, commitment and responsibility. The observance of character may be noted in the profile, reference given by the borrower and existing credit reference institutions.

According to Peters, R. (2007), Banks analysis of firm capital is important because it helps in determination of borrowers' risk to an unexpected loss in the industry and that a firm with high equity is capable of covering all expenses to ensure break-even and profitability. (Noradiva & Azlina, 2016) also expressed that capital is ownership and it shows commitment and confidence in the business as depicted by Equity ratio, Debt to Equity Ratio.

Aghion and Bolton (2002) expressed that Collateral is one of the tools used to assess the credit worthiness of the borrower and it refers to security or guarantee for the loan borrowed. The security goes about as a sign empowering the bank to lessen or wipe out the unfriendly determination issue brought on by the presence of data asymmetries between the bank and the borrower at the season of the credit choice. In spite of the fact that bank knows the credit nature of the clients, the insurance mitigates moral risk issues once the advance has been allowed. Therefore, issue of good peril confronted by the bank in loaning could be controlled by having security. Collateral can in this way be viewed as an instrument guaranteeing great conduct with respect to borrowers, given the presence of a trustworthy threat. Hasnah et al (2012) established that character of management plays an important role on the likelihood of loans approved by credit officers. In addition Wilkinson, (2013) established that collateral acts as an alternative source for the loan repayment should there be a failure and also defined Collateral as the security made

available to secure the financial exposure. Sharma & Kalra, (2015) on the hand stated the security should have a proper title, marketable and valuable enough to cover the loan amount. The collateral quality is assessed by using Loan-to-Value Ratio.

According to Kenneth D (2016), the purpose of analyzing the condition of the industry, economic and political environment before a loan is approved and disturbed is to ascertain the borrower's vulnerability to happenings in the economy. Hudsons & Leftwich, (2014) agreed to the matter and stated that the political analysis involves looking at all levels of everyday politics which include power and agency and its impact on doing business in the country. Kabir, Jahan, Chisty & Hasin, (2010) also added that these conditions measure any external hindrance that will hamper the loan repayment and that industrial analysis is important for safety of the loan.

According to Strichek (2000), the 5c's credit analysis should be ranked in order of importance from Character, Capacity, Capital, Condition, and Collateral. It is believed that credit evaluation in this pattern will lessen the burden of non-performing loans. Another study in Palestine ranked the measure of credit risk analysis based on the 5c's in ascending order of Collateral, Capacity, Capital, Character, and Condition (Abadi & Karsh, 2013). This shows that there was a geographical impact on ranking for the application of 5c's upon which this study is important.

## **2.2 Effect of Credit Risk Controls on the performance of Brac Mbale branch**

According to Churchill and Coster (2001) Key Credit controls include loan product design, credit committees, and delinquency management.

JoEtta C. (2017) , observed that computers are useful in credit analysis, monitoring and control as they make it easy to keep track on trend of credit within a portfolio. Hence banks need to develop and implement comprehensive procedures and information systems to monitor the condition of individual credits and single, obligors' across banks. Peacock, B (2000) added that these procedures need to define criteria for identifying and reporting potential problem credits and other transactions to ensure that they are subject to more frequent monitoring as well as possible correction actions, classification and or provisioning.

Inkumbi,M (2019), also observed that high quality credit risk management staffs are critical to ensure that the depth of knowledge and judgment needed is always available, thus successfully managing the

credit risks in the Lending institutions. Marphatia & Jiwari (2004) argued that risk management is primarily about people-how they think and interact with each other. Technology is just a tool; in the wrong hands it is useless. This stresses further the critical performance of qualified staff in managing credit risk. Gitman, J. (2016), added in monitoring credit, banks are responsible for monitoring on an ongoing basis any underlying collateral and guarantees. Such monitoring assists the banks in making necessary changes to contractual arrangements as well as maintaining adequate reserves for credit losses. An important tool for monitoring the quality of individual credits, as well as the total portfolio, is the use of an internal risk rating system.

Wachowicz , J (2015) , in his study on bank risk management held that banks and similar financial institutions need to meet forthcoming regulatory requirements for risk measurement and capital. However, it is a serious error to think that meeting regulatory requirements is the sole or even the most important reason for establishing a sound, scientific risk management system. It was held, managers need reliable risk measures to direct capital to activities with the best risk/reward ratios. They need estimate of the size of potential losses to stay within limits imposed by readily available liquidity, by creditors, sales agents and regulators. They need mechanisms to monitor positions and create incentives for prudent risk taking by divisions and individuals.

A Johnson, D (2017) revealed that risk management for lending institutions in Mozambique found that risk management is a dynamic process that could ideally be developed during normal times and tested at the wake of risk. It requires careful planning and commitment on part of all stakeholders. It is encouraging to note that it is possible to minimize risks related losses through diligent management of portfolio and cash-flow, by building robust institutional infrastructure with skilled human resources and inculcating client discipline, through effective coordination of stakeholders.

Pandey, I.M (2000), also conducted research on bank performance and credit risk management found that there is a significant relationship between financial institutions performance (in terms of profitability) and credit risk management (in terms of loan performance). Better credit risk management results in better performance. Thus, it is of crucial importance that financial institutions practice prudent credit risk management and safeguarding the assets of the institutions and protect the investors' interests. This is also true for micro finance institutions. Method used by the researchers is mixed research method. Matu (2008) carried out a study on sustainability and profitability of lending institutions and noted that efficiency and effectiveness were the main challenges facing Uganda on service delivery.

Nwankwo, G.O (2012), in their study on credit risk management of selected financial institutions in Malaysia the majority of financial institutions and banks losses stem from outright default due to inability of sales agents to meet obligations in relation to lending, trading, settlement and other financial transactions. Credit risk emanates from a bank's dealing with individuals, corporate, financial institutions or sovereign entities. A bad portfolio may attract liquidity as well as credit risk.

The aim of credit risk management is to maximize a bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable boundary. The efficient management of credit risk is a vital part of the overall risk management system and is crucial to each bank's bottom and eventually the survival of all banking establishments. It is therefore important that credit decisions are made by sound analyses of risks involved to avoid harms to bank's profitability. They held effective management of credit risk is an essential component of a comprehensive technique to risk management and critical to the long-term success of all banking institutions.

Nkoro E. (2003) observed that there is a relationship between capital structure and financial performance of lending institutions (MFI) in Uganda it revealed that short-term debt significantly impacted MFI outreach positively. Long term debt however showed positive relationship with outreach but was not significant with regard to default rates, both short and long term debts showed expected results but were not significant indicating that maturity may not necessarily be of essence. Generally, highly leveraged MFIs were found to perform better by reaching out to more clients. It was also revealed that such MFIs also enjoyed economies of scales and therefore were better able to deal with moral hazards and adverse selections which also enhanced their ability to manage risks.

Mekwunye C. (2011) in her study on Effectiveness of Credit management System on Loan Performance: Empirical Evidence from Micro Finance Sector in Uganda found out that Credit terms formulated by the lending institutions do affect loan performance; the involvement of credit officers and sales agents in formulating credit terms affects loan performance. Interest rates charged had a negative effect on the performance of the loans, the higher the interest rates the lower the loan performance.

Credit risk controls adopted by lending institutions have an effect on loan performance, credit insurance, signing of covenants with sales agents, diversification of loans, credit rating of sales agents, reports on financial conditions, refrain from further borrowing had an effect on loan performance. Collection policies adopted by microfinance institution had an effect on loan performance, stringent policy had a

great impact on loan performance, and the lenient policy had an effect but was not as great as that of stringent policy.

### **2.3 Effect of Credit collection policy on the performance of Brac Mbale branch**

Franklin (2010) expressed that credit collection efforts include the use of reminders, insurance policy, the use of litigation and final write off as highlighted below.

Kuritzkes, A. (2017), In his study found that reminders are one of the tools used by Lending institutions in credit collection. He stated that it involves sending a demand note to inform the debtor of the amount due, and if no response is gotten, progressive steps using tighter measures are taken. Kasozi (2018) also gave other measures include sending a polite letter to the customer and if no response, the customer is contacted through the telephone or actually visiting him or her and as the last resort tending towards legal measures.

Kuritzkes, A. (2017) in his research discovered that Lending institutions can collect their loans by insuring the loans given out to clients. This involves a business firm undertaking to insure all the debts that are rated bad. The firm should insure all the debts that are above the money level. Insurance companies undertake to compensate the creditor firm in the event that the debtor defaults and as such the insurer must accept such an arrangement only when the client company has an effective credit policy.

Jhingan, M.L (2013) in his view expressed that Lending institutions can collect their credit by factoring debtors. This involves the sale of debts to the financial institutions. The debtor factoring is a cautionary measure to safeguard the company money since credit firm obtains in advance the credit cash from the insurer and that it incurs lower costs involved with credit. In this way creditor gets relieved off the collection and administrative costs of debts and other risks involved in managing such loans.

Holden, K. (2015), suggested that banks can collect their credit by use of litigation which involves taking legal action against the customer who fails to meet his obligations. This arises when credit is a bad debt where there is a major break down in the repayment agreement resulting in undue delays in collection in which it appears that legal may be required to effect collection. This is resorted to as the last measure and more so where the firm's relationship with the customer has soared.

Iyoha, M.A (2002), defined Debt recovery as a process of pursuing loans which have not been repaid and managing to recover them by convincing the borrowers to make attempts to repay their outstanding loans. Normally, this role of recovering loans is not an easy task as clients will go out of their way to prove inaccessible to the lender (bank). The banking industry in most cases has a debt recovery unit

which is in charge of following loans before they become delinquent and make attempts to recover the loans. Debt recovery is a very important component of banking as it plays a key role in ensuring that the main objective of the bank (to issue loans) results into the desired outcome of making margin out of the loans advanced. It is evident that the presence of debt recovery puts pressure to the borrowers to pay up lest they get the dreaded calls from the banking staff through the debt recovery unit. Debt recovery unit is involved in the day today role of ensuring that the loans issued to the bank's sales agents are repaid as per the schedule of contract signed by the customer and bank. The task of debt recovery entails compiling a list of overdue loans and proactively managing the loans by calling up sales agents who are defaulting. This unit is equally charged with the role of liaising with lawyers to draft demand letters to the loan defaulters and sending the same to the sales agents who are defaulting. There are various credit monitoring and recovery strategies that have been adopted by many Lending institutions.

Harold, R. (2003) acknowledged many of the agonies and frustrations of slow and distresses credits can be avoided by good loan supervision. Supervision helps keeping a good loan good. It may be visiting the borrowers' premises to investigate the general state of affairs and maintenance of plant and equipment. Inadequate maintenance is often an early sign of financial distress. Also to be observed is the state of employee morale and the physical stock of materials and finished goods. The general business policy and advice is considered. If a bank is sanitizing to business development it can revise its own credit and loan polices as well as advising its sales agents. A gain keeping track of deposits and balances gives clue to the affairs of the borrowers.

Gitman, J. (2016) found out Debt rescheduling as one of means of recovering loans. It involves a change in the existing terms of a loan. A financial institution should consider rescheduling a debt when it has determined that the rescheduling is in the government's interests and that recovery of all or a portion of the debt is reasonably assured. As with installment payments, before rescheduling a debt, the agency should reassess the debtor's financial position and ability to repay the debt if rescheduled. The agency should also determine if it should require the debtor to use pre-authorized debit to make payment. In regard to any repayment arrangement, the terms and conditions of the rescheduling, including the acceleration clause, must be in writing and signed by the debtor. The bank should discourage informal workout arrangements with debtors. Each bank should establish uniform policies, procedures and criteria for rescheduling and other types of workouts for each program area. Its policies and procedures should

provide for the recognition of gains and losses on rescheduled accounts in accordance with the provisions of credit management standards.

According to Ezekie E.S (2011), affirmed that repossession of security is aimed at recovery of dues and not to deprive the borrower of the property. The recovery process through repossession of security will involve repossession, valuation of security and realization of security through appropriate means. All these would be carried out in a fair and transparent manner. Repossession was done only after issuing the notice as detailed above. Due process of law was followed while taking repossession of the property. The bank took all reasonable care for ensuring the safety and security of the property after taking custody, in the ordinary course of the business.

Edwards, P. & Turnbull, H. (2015), suggested that loans can be recovered by banks using the services of private collection agencies. Private collection agencies charge fees, which are paid out of amounts collected. The creditor agency retains the final authority to resolve disputes, compromise debts, suspend or terminate collection action, and refer accounts to Credit Reference Bureaus. The credit reference agency ought therefore to supplement and inter-pose between the lending institution/creditor and the borrower/debtor. The other point to be taken up is about levels of intervention between the creditor, debtor, and the lawyer. Lending institutions simply require seeking advisory and other services if credit activity was not paralyzed by the phenomenon of bad debts. These services took the shape of credit brokerage, debt adjusting, collecting, counseling, and factoring services and ultimately recovery action. Eppy, I. (2005) expressed that Credit scoring systems can be used by the banks as a credit recovery strategy. A credit score is a number that is based on a statistical analysis of a borrower's credit report, and is used to represent the creditworthiness of that person. A credit score is primarily based on credit report information. Lenders, such as banks use credit scores to evaluate the potential risk posed by giving loans to consumers and to mitigate losses due to bad debt. Using credit scores, financial institutions determine who are the most qualified for a loan, at what rate of interest, and to what credit limits.

While written communication, telephonic reminders or visits by the bank's representatives to the borrowers' place or residence was used as loan follow up measures, the bank will not initiate any legal or other recovery measures including repossession of the security without giving due notice in writing. The Bank followed all such procedures as required under law for recovery/repossession of security.

#### **2.4 Gaps identified in the literature review.**

The review of the literature indicates that implementing credit management has significant effects on performance of Lending institutions in Uganda that is to say it improves on organizational performance, efficiency on credit extension, and identifying profit evidence meaning there is a relationship. These conclusions confirm after empirical evidence obtained from the researchers. However, much as literature review points out the advantage of implementing credit management, there are some gaps identified as the study does not show as to why banks still register high rates of bad loans written off and non-performing loans annually and also the literature review is mainly for other countries and not Uganda since few researches has suffer been conducted in Uganda on effect of credit management on the performance of Lending institutions in Uganda. There's therefore need for further research on this topic in Uganda to ascertain the effect of credit management on performance of Lending institutions to fill the gaps mentioned above in Uganda.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter presented the research design, population size, sample size and techniques, data sources, data collection methods, validity and reliability of instruments, methods of data analysis, limitations and delimitations, and ethical considerations. Business Dictionary defined Methodology as the process of scientific procedure into a research work. For any research conducted to yield the desired outcome, its methodology and methods of data collection had to be effective. In carrying out the research, it was highly desirable and acceptable to adopt a particular method of data or information collection that would lead to a successful and meaningful work. According to CGAP (2009), to ensure effectiveness and validity of the study, the research employed conventional procedures of information collection. This chapter explains the procedures followed in arriving at the inferences of this research.

#### **3.1 Research Design**

The researcher used a descriptive research design aimed at systematically obtaining information to describe a population. This approach helped answer the what, when, where, and how questions regarding the research problem rather than focusing on the why.

#### **3.2 Population Size**

For the purpose of this research, the population size consisted of the entire staff working at Brac Mbale branch, totaling forty-five (45) individuals, as defined by Daves (2012) as the actual number of individuals in a population.

#### **3.3 Sample size and techniques**

Sample size is a count of individual samples or observations in any statistical setting, such as a scientific experiment or a public opinion survey

The sample size for this study was set at 40, while the population size of Brac Mbale branch was 45. The sample size calculation for Brac Mbale branch followed Bourley's (1964), as cited in Ayatse, Tsegba, and Akombo (2012), proportion allocation formula or individual sample size determination method.

$$\text{Sample size} = \frac{N}{1 + N(e)^2}$$

Where N is the total population

e is the sampling error

$$= 45/1+45(0.05)^2$$

$$=45/1+45(0.0025)$$

$$= 45/1+0.1125$$

$$= 45/1.1125$$

$$= 40.44$$

= **40 respondents**

**Table 1: Sample size**

<b>Respondent</b>	<b>Population</b>	<b>Sample size</b>	<b>Sample technique</b>
Branch manager	01	01	Purposive
Credit officers	09	9	<i>Purposive sampling</i>
Supervisors	05	5	<i>Purposive sampling</i>
Sales agents	30	25	Simple random
<b>Total</b>	<b>45</b>	<b>40</b>	

**Source; Primary data (2024)**

### **3.4 Sampling techniques**

Bitner, J. W. (2016) defines sampling technique as the selection of components of the sample that gave a representative view of the whole. In this research, the researcher used three sampling techniques to collect data from the respondent.

#### **3.4.1 Purposive sampling technique**

A purposive sample is a non-probability sample that is selected based on characteristics of a population and the objective of the study. Purposive sampling is also known as judgmental, selective, or subjective sampling. This is used for the branch manager because he is the one who has all the vital data of the bank. Binks, M. & Ennew, T. (2011)

#### **3.4.2 Simple random sampling technique**

This is a basic sampling technique where we select a group of subjects (a sample) for study from a larger group (a population). Each individual is chosen entirely by chance and each member of the population has an equal chance of being included in the sample. Every possible sample of a given size has the same chance of selection. Binks, M. & Ennew, C. (2015)

### **3.5 Sources of data.**

For the purpose of obtaining data or information for this research, two basic sources of data collection was used, namely; Primary and secondary sources as given by Bryman, A. and Bell, E. (2012).

#### **3.5.1 Primary source of data collection.**

The primary sources provide data collected from the original source including data gathered from the bank staff, sales agents and knowledgeable persons, using questionnaire. Primary data collection methods can be divided into two groups: quantitative and qualitative. *John Arnold, G. (2003).*

#### **3.5.2 Secondary source of data collection.**

This is a type of data that has already been published in books, newspapers, magazines, journals, online portals. There is an abundance of data available in these sources about your research area in business studies, almost regardless of the nature of the research area. Therefore, application of appropriate set of criteria to select secondary data to be used in the study plays an important role in terms of increasing the levels of research validity and reliability.

These criteria included, but not limited to date of publication, credential of the author, reliability of the source, quality of discussions, depth of analyses, the extent of contribution of the text to the development of the research area etc.

### **3.6 Data collection methods.**

Data collection is a tool used to collect data (Parahoo, 1997). The researcher basically focused on the two methods of data collection namely questionnaire and interview guide

#### **3.6.1 Questionnaires**

According to Adetayo, E.A and Oladejo, B (2014), questionnaire is a reformulated written set of questions to which respondents record their answers usually within rather closely defined alternative. A questionnaire is a series of questions asked to individuals to obtain statistically useful information when properly constructed and responsibly administered. An open and closed ended questionnaire was used to collect information from the Loan officers and sales agents of Brac Mbale branch. This was used to allow free responses from respondents that are engaged in the depth views about the study questions. The closed ended questions include alternative answers for selection and also was used in getting the required information about the study. The questionnaire was used on the basis that the variables under

study could not be observed for instance the views, the opinions perception and feelings of the respondents.

### **3.6.2 Interview guide**

This method was used on branch Manager of the bank. This method involves the directly meeting the informants and asking necessary questions regarding the subject of enquiry. Usually a set of questions or a questionnaire is carried by the researcher and questions are also asked according to that. The interviewer efficiently collects the data from the informants by cross examining them. The interviewer must be very efficient and tactful to get accurate and relevant data from the informants with interviews like personal interview/ depth interview or telephone interview conducted as per the need of the study.

### **3.7 Validity and reliability of instrument**

The word validation as used in this work means the extent to which the instruments to be used for this research was useful in making decisions relevant to this study.

Akem (2005) viewed validity and reliability of instruments as an instruments truthfulness, reliability to its consistency and suitability to its practicality. In line with this definition, all the drafted questionnaires was administered to the various respondents.

### **3.8 Methods of data analysis**

After collecting the relevant data required for the purpose of this study, an analysis of the data was carried out to enable the researcher to discover or make some findings about the study. For purposes of this research, data from the 40 (forty) Questionnaires returned was analyzed using the SPSS method.

The justification for using this SPSS of data analysis is to enable the researcher to attain the expected result upon which effective and academically sound recommendations of the findings would be made.

#### **3.8.1 Analysis of quantitative Data**

The statistical package to be used for analysis of data in this study is the SPSS version.

Descriptive statistics namely frequency counts, percentages was used to analyze the respondents' demographic characteristics, mean and standard deviation was used to analyze the respondents' opinions on the credit management and performance of Brac Mbale branch.

Data was analyzed using ANOVAs table to determine the effect of credit management on the performance of Brac Mbale branch.

### **3.8.2 Analysis of qualitative data**

Qualitative data was analyzed using content analysis. Responses from key informants were grouped into recurrent issues. The recurrent issues which can emerge in relation to each guiding questions was presented in the results, with selected direct quotations from participants offered as illustrations.

### **3.9 Ethical considerations**

According to Abedi, S. (2000) a researcher had to a code to the following ethical considerations in doing research.

Ensuring quality and integrity of your research; the researcher will have to make sure that the work she is doing must be accurate and from relevant source.

Seek informed consent. The principle of informed consent will involve the researchers providing sufficient information and assurances about taking part to allow individuals to understand the implications of participation and to reach a fully informed, considered and freely given decision about whether or not to do so, without the exercise of any pressure or coercion.

The use of offensive, discriminatory, or other unacceptable language needs to be avoided in the formulation of Questionnaire/Interview/Focus group questions

Privacy and anonymity of respondents must be of a paramount importance.

Acknowledgement of works of other authors was used in any part of the dissertation with the use of Harvard/APA/Vancouver referencing system according to the Dissertation Handbook

Maintenance of the highest level of objectivity in discussions and analyses throughout the research

Adherence to Data Protection and privacy Act (2011) of Uganda

Voluntary participation of respondents in the research is important. Moreover, participants have rights to withdraw from the study at any stage if they wish to do so.

**CHAPTER FOUR**  
**DATA PRESENTATION AND INTERPRETATION**

**4.1 Introduction**

This chapter covers the data presentation and analysis of findings regarding the effect of credit management practices on financial performance of Brac, Mbale branch. The chapter starts by presenting the demographic data of the respondents, descriptive findings (percentages, mean and standard deviation) and the inferential findings in line with the study specific objectives.

**4.2 Demographic Data of the respondents**

The demographic data of the respondents is presented in this section and this mainly focuses on gender, age bracket, education level and experience of the respondents in reference to Brac, Mbale branch.

**4.2.1 Gender of the respondents**

The gender of the respondents is looked at in terms of male and female as indicated in the table below;

***Table 4.2: Gender of the respondents***

<b>Gender of the respondents</b>				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	15	45.5	45.5	45.5
Female	18	54.5	54.5	100.0
Total	33	100.0	100.0	

Source: Field data (2024)

Table 4.1 reveals that 18(54.5%) of the respondents were female followed 15(45.5%) who were male. The findings mean that most of the employees at the bank are female as compared to the male. This implies that banks tend to employ more female than the male because the female staff are deemed as being patient than the males.

**4.2.2 Age of the respondents**

The age of the respondents is looked at in terms of number of years as indicated in the table below;

**Table 4.2: Age bracket of the respondents**

<b>Age of the respondents</b>				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 26 - 35 years	19	57.6	57.6	57.6
36-45 years	11	33.3	33.3	90.9
46 years and above	3	9.1	9.1	100.0
Total	33	100.0	100.0	

Source: Field data (2024)

Findings in the table show that 19(57.6%) majority of the respondents were 26 - 35 years, followed by 11(33.3%) who were 36-45 years and 3(9.1%) were 46 years and above. The findings mean that most of the respondents were in their prime and willing to work. This implies that people in this age bracket tend to show more commitment and willingness to work for longer hours and hence this has a positive impact on the bank's profitability.

#### **4.2.3 Education level of the respondents**

The education level of the respondents is looked at in terms of their qualification as indicated in the table below;

**Table 4.3 Education Level of the respondents**

<b>Education level</b>				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Certificate	4	12.1	12.1	12.1
Diploma	13	39.4	39.4	51.5
Bachelors degree	14	42.4	42.4	93.9
Master's degree	2	6.1	6.1	100.0
Total	33	100.0	100.0	

Source: Field Data (2024)

Table 4.3 reveals that 14(42.4%) of the respondents were bachelor degree holders, 13(39.4%) were diploma holders, 4(12.1%) were certificate holders while 2(6.1%) were certificate holders. The findings mean that most of the respondents had attained a degree and this implies that they properly understand the operations of the bank in regard to its credit policies. This also means that the respondents were able to give valid responses to this study since they were able to read and interpret the tool administered to them.

**4.2.4 Experience of the respondents**

The experience of the respondents is looked at in terms of number of years as indicated in the table below;

*Table 4.4 Experience of the respondents*

<b>Experience</b>				
	Frequency	Percent	Valid Percent	Cumulative Percent
1- 3 year	2	6.1	6.1	6.1
3-5 years	12	36.6	36.6	27.3
Valid 5-10 years	12	36.6	36.6	30.3
10 years and above	7	21.2	21.2	51.5
Total	33	100.0	100.0	

Source: Field Data (2024)

Findings in the table above reveal that 12(36.6%) of the respondents had worked for 3-5 years, 12(36.6%) had worked for 5-10 years, 7(21.2%) had worked for 10 years and above while 2(6.1%) had worked for 1-3 years. this means that most of the respondents had worked for long with the bank and this implies that they understand the operations of the bank.

**4.3 Descriptive Findings on Financial Performance**

This section presents the descriptive findings on financial performance of Brac using percentages, mean and standard deviation as follows;

*Table 4.5: Descriptive Findings on Financial Performance*

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Mean</b>	<b>Std Dev</b>	<b>Comment</b>
Brac 's total assets have shown consistent year-on-year growth.	9.1%	54.5%	24.2%	6.1%	6.1%	2.45	.971	Low
Net income has steadily increased over the past three years.	18.2%	45.5%	15.2%	15.2%	6.1%	2.45	1.148	Low
Return on assets (ROA) has remained above industry averages.	21.2%	57.6%	18.2%	0.0%	3.0%	2.06	.827	Low
Brac 's efficiency ratio reflects effective cost management.	9.1%	33.3%	27.3%	24.2%	6.1%	2.85	1.093	Low
The net interest margin has improved year-over-year.	6.1%	24.2%	18.2%	45.5%	6.1%	3.21	1.083	High
Capital adequacy ratios indicate strong financial stability.	12.1%	24.2%	6.1%	57.6%	0.0%	3.09	1.156	High

Non-performing loans ratio has decreased, signaling improved asset quality.	0.0%	3.0%	9.1%	63.6%	24.2%	4.09	.678	Very High
Loan loss provisioning has been prudently managed.	0.0%	12.1%	3.0%	60.6%	24.2%	3.97	.883	High
OVERALL						3.021	0.979	Moderate

Source: Field Data (2024)

On whether Brac 's total assets have shown consistent year-on-year growth, findings in the table above reveal that 6.1% and 6.1% of the respondents were agreeing with the statement, 54.5% and 9.1% disagreed while 24.2% were uncertain about the statement. The stated mean score of 2.45 and standard deviation of 0.971 mean that Brac 's total assets have not shown consistent year-on-year growth.

Regarding whether net income has steadily increased over the past three years, findings presented in the table reveal that 15.2% and 6.1% of the respondents were agreeing with the statement, 45.5% and 18.2% disagreed while 15.2% were uncertain about the statement. The stated mean score of 2.45 and standard deviation of 1.148 signify that net income has steadily increased over the past three years but to a low level.

On inquiring whether Return on assets (ROA) has remained above industry averages, findings in the table above reveal that 3.0% of the respondents agreed with the statement, 57.6% and 21.2% disagreed while 18.2% were uncertain. The mean score of 2.06 and standard deviation of 0.827 indicate that return on assets (ROA) has not remained above industry averages.

Concerning whether Brac 's efficiency ratio reflects effective cost management, findings in the table above reveal that 24.2% and 6.1% of the respondents agreed with the statement, 33.3% and 9.1%

disagreed while 27.3% were uncertain about the statement. The stated mean score of 2.85 and standard deviation of 1.093 indicate that most of the respondent were disagreeing with the statement. This means that Brac 's efficiency ratio reflects effective cost management but to a low level.

On whether the net interest margin has improved year-over-year, findings presented in the table above reveal that 45.5% and 6.1% of the respondents agreed with the statement, 24.2% and 6.1% disagreed while 18.2% were uncertain about the statement. The mean score of 3.21 and standard deviation of 1.083 indicate a high level of agreement. The findings mean that The net interest margin has improved year-over-year.

On whether Capital adequacy ratios indicate strong financial stability, findings in the table above reveal that 57.6% of the respondents were agreeing with the statement, 24.2% and 12.1% disagreed while 6.1% were unsure about the statement. The mean score of 3.09 and standard deviation of 1.156 signify that most of the respondent were concurring with the statement. The findings mean that Capital adequacy ratios indicate strong financial stability.

Concerning whether Non-performing loans ratio has decreased, signaling improved asset quality, results in the table above reveal that 63.6% and 24.2% of the respondents were agreeing with the statement, followed by 9.1% who were uncertain and the least 3.0% were disagreeing with the statement. The stated mean score of 4.09 and standard deviation of 0.678 indicate that non-performing loans ratio has decreased, signaling improved asset quality.

On whether Loan loss provisioning has been prudently managed, results in the table above reveal that 60.6% and 24.2% of the respondents were agreeing with the statement, 12.1% disagreed while 3.0% were uncertain about the statement. The stated mean score of 3.97 and standard deviation of 0.883 signify that loan loss provisioning has been prudently managed.

**4.4 Descriptive Findings on Credit Analysis**

This section presents the descriptive findings on credit analysis of Brac using percentages, mean and standard deviation as follows;

**Table 4.5: Descriptive Findings on Credit Analysis**

Statement	1	2	3	4	5	Mean	SD	Comment
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Credit analysis enhances loan quality.	30.3%	12.1%	3.0%	33.3%	21.2%	3.03	1.610	Moderate
Improved credit risk assessment bolsters financial stability.	18.2%	36.4%	12.1%	24.2%	6.1%	3.21	3.586	Moderate
Effective credit analysis reduces non-performing loans.	3.0%	15.2%	0.0%	42.4%	39.4%	4.00	1.146	Very High
Enhanced credit evaluation leads to better asset quality.	27.3%	21.2%	0.0%	33.3%	18.2%	2.94	1.560	Moderate
Sound credit analysis fosters prudent lending practices.	0.0%	21.2%	3.0%	36.4%	39.4%	3.94	1.144	High
Rigorous credit assessment minimizes default risks.	21.2%	33.3%	3.0%	33.3%	9.1%	2.76	1.370	Moderate
Efficient credit analysis optimizes capital allocation.	27.3%	24.2%	12.1%	30.3%	6.1%	2.64	1.342	Moderate
Streamlined credit evaluation boosts profitability.	33.3%	12.1%	12.1%	27.3%	15.2%	2.79	1.536	Moderate

Thorough credit analysis supports sustainable growth.	6.1%	30.3%	6.1%	42.4%	15.2%	3.30	1.237	Moderate
OVERALL						3.178	1.615	Moderate

Source: Field data (2024)

Regarding whether credit analysis enhances loan quality, findings in the table above reveal that 21.2% and 21.2% of the respondents agreed with the statement, 12.1% and 30.3% disagreed while the least 3.0% were uncertain about the statement. the findings are supported by a mean score of 3.30 and standard deviation of 1.619 which signify that credit analysis enhances loan quality.

Concerning whether improved credit risk assessment bolsters financial stability, results presented in the table show that 24.2% and 6.1% of the respondents agreed with the statement, 36.4% and 18.2% disagreed while 12.1% were uncertain about the statement. The stated mean score of 3.21 and standard deviation of 3.586 signify that improved credit risk assessment bolsters financial stability.

Regarding whether Effective credit analysis reduces non-performing loans, findings in the table above reveal that 42.4% and 39.4% of the respondents agreed with the statement, 15.2% and 3.0% disagreed with the assertion. The findings are supported by a mean score of 4.00 and standard deviation of 1.146 which signify that most of the respondents were agreeing to a great extent with the statement. The findings mean that effective credit analysis reduces non-performing loans.

On inquiring whether enhanced credit evaluation leads to better asset quality, results in the table above reveal that 33.3% and 18.2% of the respondents agreed with the statement, 21.2% and 27.3% disagreed with the statement. The findings are supported by a mean score of 2.94 and standard deviation of 1.560 which signify that enhanced credit evaluation leads to better asset quality but to a low level.

On whether sound credit analysis fosters prudent lending practices, findings presented in the table above reveals that 36.4% and 39.4% of the respondents were agreeing with the statement, 21.2% disagreed while 3.0% were uncertain about the statement. The stated mean score of 3.94 and standard deviation of 1.144 indicate that sound credit analysis fosters prudent lending practices.

On whether Rigorous credit assessment minimizes default risks, results presented in the table above reveal that 33.3% and 9.1% of the respondents agreed with the assertion, 33.3% and 21.2% disagreed while 3.0% were uncertain about the statement. The stated mean score of 2.76 and standard deviation of 1.370 indicate that rigorous credit assessment does not minimize default risks.

On whether efficient credit analysis optimizes capital allocation, results presented in the table above reveal that 30.3% and 6.1% of the respondents were agreeing with the assertion, 24.2% and 27.3% disagreed while 12.1% were uncertain about the statement. The stated mean score of 2.64 and standard deviation of 1.342 indicate that efficient credit analysis does not optimize capital allocation.

On whether streamlined credit evaluation boosts profitability, findings presented in the table above reveal that 27.3% and 15.2% agreed with the statement, 12.1% and 33.3% disagreed while 12.1% of the respondents were unsure of the statement. The findings are supported by a mean score of 2.79 and standard deviation of 1.536 which signify that Streamlined credit evaluation boosts profitability to a low level.

Regarding whether thorough credit analysis supports sustainable growth, findings presented in the table above reveal that 42.4% and 15.2% of the respondents agreed with the statement, 30.3% and 6.1% disagreed while the least 6.1% were uncertain about the statement. The stated mean score of 3.30 and standard deviation of 1.237 signify that thorough credit analysis supports sustainable growth.

The above findings represented in the descriptive statistics give a fairly general picture. The grand mean stands at 3.178, which was strengthened by the standard deviation at 1.615. The results there give a fairly a general picture from the findings indicating that credit analysis moderately enhances the financial performance in Brac

When asked about the credit analysis process followed at Brac Mbale Branch, a branch manager said: "At Brac Mbale Branch, our credit analysis process involves several key steps. Initially, we gather comprehensive information about the applicant, including their personal details, financial history, and creditworthiness. This is followed by a thorough evaluation of their income, employment status, and any existing debts. We also perform a detailed analysis of their business or personal cash flow to assess their ability to repay the loan. Additionally, we utilize credit scoring models and risk assessment tools to evaluate the likelihood of default. The final step involves a credit committee review, where a collective decision is made based on all gathered data."

A credit officer at the Mbale Branch explained how the credit analysis process contributes to the quality of loan portfolios: "Our rigorous credit analysis process ensures that we only approve loans for applicants with a strong likelihood of repayment. By carefully evaluating each applicant's financial situation and creditworthiness, we are able to maintain a high-quality loan portfolio. This meticulous approach reduces the risk of defaults and ensures that our loan portfolio remains healthy and sustainable."

A supervisor at Brac Mbale Branch shared their experience on the impact of effective credit analysis on financial stability: "Effective credit analysis has been pivotal in maintaining the financial stability of our branch. By minimizing the occurrence of non-performing loans, we are able to ensure a steady flow of repayments, which in turn supports our liquidity and overall financial health. This stability allows us to continue extending credit to more clients, thereby supporting the growth of our branch and the community we serve."

When asked about the measures taken to ensure thorough credit risk assessment and mitigation, a sales agent at the Mbale Branch responded: "To ensure thorough credit risk assessment and mitigation, we employ a multi-layered approach. This includes detailed credit scoring, stringent background checks, and in-depth financial analysis. We also conduct site visits to verify the information provided by applicants. Additionally, we continuously monitor and review our loan portfolio to identify any potential risks early on. We have also invested in training our credit officers to ensure they have the skills and knowledge to conduct thorough assessments."

A branch manager provided examples of how credit analysis has helped in minimizing non-performing loans at Brac Mbale Branch: "One notable example is our targeted approach to small business loans. By conducting detailed cash flow analyses and understanding the specific risks associated with various industries, we have been able to tailor our credit assessments accordingly. This has significantly reduced the number of non-performing loans in our small business segment. Another example is our use of credit scoring models that incorporate both traditional and alternative data, allowing us to better predict and mitigate potential defaults."

Lastly, a credit officer discussed how the credit analysis process aligns with the long-term financial objectives of the Mbale Branch: "Our credit analysis process is designed to support the long-term financial objectives of the Mbale Branch by ensuring sustainable growth and profitability. By maintaining a high-quality loan portfolio and minimizing defaults, we are able to achieve steady financial

returns. This aligns with our goals of expanding our lending capacity and supporting economic development in the Mbale region. Moreover, our focus on thorough credit risk assessment helps us build strong, trust-based relationships with our clients, further contributing to our long-term success."

**Table 4.6 Model Summary on Credit Analysis**

<b>Model Summary</b>									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.383 <sup>a</sup>	.147	.119	.59640	.147	5.325	1	31	.028

**a. Predictors: (Constant), credit analysis**

**Source: Field Data (2024)**

To determine the effect of credit analysis on financial performance, a simple regression analysis was undertaken (Table 4.6). The results revealed that credit analysis is significantly correlated to financial performance by 38.3% at  $p= 0.028$ . In terms of the effect, credit analysis accounts for 14.7% of the variations in financial performance as indicated by R Square value. This implies that credit analysis is significant determinant of financial performance in Brac

**4.5 Descriptive Findings on Credit Risk Control**

This section presents the descriptive findings on credit risk control of Brac using percentages, mean and standard deviation as follows;

**Table 4.7: Descriptive Findings on Credit Risk Control**

Statement	1	2	3	4	5	Mean	Std Dev	Comment
Credit risk controls enhance Brac’s loan quality.	12.1%	24.2%	3.0%	30.3%	30.3%	3.42	1.458	Moderate

Effective risk controls fortify Brac's financial stability.	6.1%	27.3%	24.2%	30.3%	12.1%	3.15	1.149	Moderate
Stringent credit risk controls reduce Brac's credit losses.	39.4%	15.2%	3.0%	33.3%	9.1%	2.58	1.521	Moderate
Prudent risk mitigation strategies bolster Brac's resilience.	0.0%	24.2%	12.1%	51.5%	12.1%	3.52	1.004	High
Proactive credit risk controls minimize potential loan defaults.	6.1%	15.2%	15.2%	48.5%	15.2%	3.52	1.121	High
Rigorous risk management fosters investor trust in Brac.	21.2%	27.3%	12.1%	24.2%	15.2%	2.85	1.417	Moderate
Sound credit risk controls optimize Brac's capital utilization.	9.1%	30.3%	15.2%	36.4%	9.1%	3.06	1.197	Moderate
Strategic risk mitigation efforts	3.0%	42.4%	30.3%	24.2%	0.0%	2.76	.867	Moderate

enhance Brac's profitability.								
OVERALL						3.107	1.216	Moderate

Source: Field Data (2024)

On findings out whether credit risk controls enhance Brac's loan quality, results presented in the table above reveal that 30.3% and 30.3% of the respondents were agreeing with the statement, 24.2% and 12.1% disagreed while 3.0% were uncertain about the statement. The stated mean score of 3.42 and standard deviation of 1.458 indicate that credit risk controls enhance Brac's loan quality.

On whether effective risk controls fortify Brac's financial stability, findings presented in the table above reveal that majority of the respondents 30.3% and 12.1% were agreeing with the statement, followed by 27.3% and 6.1% who disagreed while the least 24.2% were uncertain about the statement. The stated mean score of 3.15 and standard deviation of 1.149 signify that effective risk controls fortify Brac's financial stability.

**Concerning whether** stringent credit risk controls reduce Brac's credit losses, results in the table above show that 33.3% and 9.1% agreed with the statement, 15.2% and 39.4% disared while 3.0% were uncertain about the statement. The mean score of 2.58 and standard deviation of 1.521 indicate that stringent credit risk controls reduce Brac's credit losses to a low level.

On whether prudent risk mitigation strategies bolster Brac 's resilience, results in the table above reveal that 51.5% and 12.1% of the respondents were agreeing with the assertion, 24.2% disagreed and 12.1% were uncertain about the statement. The findings are supported by a mean score of 3.52 and standard deviation of 1.004 which signify that prudent risk mitigation strategies bolster Brac's resilience.

On whether Proactive credit risk controls minimize potential loan defaults, findings presented in the table above show that 48.5% and 15.2% of the respondents were agreeing with the statement, 15.2% and 6.1% disagreed with the statement while 15.2% were uncertain about the statement. The mean score of 3.52 and standard deviation of 1.121 indicates that Proactive credit risk controls minimize potential loan defaults.

On whether Rigorous risk management fosters investor trust in Brac , results in the table above reveal that 24.2% and 15.2% of the respondents were agreeing with the statement, 27.3% and 21.2% were disagreeing while 12.1% were uncertain about the statement. The stated mean score of 2,85 and standard deviation of 1.417 signify that Rigorous risk management fosters investor trust in Brac to a low level.

Concerning whether Sound credit risk controls optimize Brac 's capital utilization, results in the table above show that 36.4% and 9.1% of the respondents were agreeing with the statement, followed by 30.3% and 9.1% who disagreed while the least 15.2% were uncertain about the statement. The mean score of 3.06 and standard deviation of 1.197 indicate that Sound credit risk controls optimize Brac's capital utilization.

On whether strategic risk mitigation efforts enhance Brac 's profitability, results presented in the table above reveal that 24.2% of the respondent were agreeing with the statement, 42.4% and 3.0% disagreed while 30.3% of the respondents were uncertain about the statement. The stated mean score of 2.76 and standard deviation of 0.867 indicate that Strategic risk mitigation efforts enhance Brac's profitability to a low level.

The above findings represented in the descriptive statistics give a fairly general picture. The grand mean stands at 3.107, which was strengthened by the standard deviation at 1.216. The results there give a fairly a general picture from the findings indicating that credit risk control moderately affects financial performance in Brac..

When asked about the credit analysis process followed at Brac Mbale Branch, a branch manager said: "At Brac Mbale Branch, our credit analysis process involves several key steps. Initially, we gather comprehensive information about the applicant, including their personal details, financial history, and creditworthiness. This is followed by a thorough evaluation of their income, employment status, and any existing debts. We also perform a detailed analysis of their business or personal cash flow to assess their ability to repay the loan. Additionally, we utilize credit scoring models and risk assessment tools to evaluate the likelihood of default. The final step involves a credit committee review, where a collective decision is made based on all gathered data."

A credit officer at the Mbale Branch explained how the credit analysis process contributes to the quality of loan portfolios: "Our rigorous credit analysis process ensures that we only approve loans for applicants with a strong likelihood of repayment. By carefully evaluating each applicant's financial situation and

creditworthiness, we are able to maintain a high-quality loan portfolio. This meticulous approach reduces the risk of defaults and ensures that our loan portfolio remains healthy and sustainable."

A supervisor at Brac Mbale Branch shared their experience on the impact of effective credit analysis on financial stability: "Effective credit analysis has been pivotal in maintaining the financial stability of our branch. By minimizing the occurrence of non-performing loans, we are able to ensure a steady flow of repayments, which in turn supports our liquidity and overall financial health. This stability allows us to continue extending credit to more clients, thereby supporting the growth of our branch and the community we serve."

When asked about the measures taken to ensure thorough credit risk assessment and mitigation, a sales agent at the Mbale Branch responded: "To ensure thorough credit risk assessment and mitigation, we employ a multi-layered approach. This includes detailed credit scoring, stringent background checks, and in-depth financial analysis. We also conduct site visits to verify the information provided by applicants. Additionally, we continuously monitor and review our loan portfolio to identify any potential risks early on. We have also invested in training our credit officers to ensure they have the skills and knowledge to conduct thorough assessments."

A branch manager provided examples of how credit analysis has helped in minimizing non-performing loans at Brac Mbale Branch: "One notable example is our targeted approach to small business loans. By conducting detailed cash flow analyses and understanding the specific risks associated with various industries, we have been able to tailor our credit assessments accordingly. This has significantly reduced the number of non-performing loans in our small business segment. Another example is our use of credit scoring models that incorporate both traditional and alternative data, allowing us to better predict and mitigate potential defaults."

A credit officer discussed how the credit analysis process aligns with the long-term financial objectives of the Mbale Branch: "Our credit analysis process is designed to support the long-term financial objectives of the Mbale Branch by ensuring sustainable growth and profitability. By maintaining a high-quality loan portfolio and minimizing defaults, we are able to achieve steady financial returns. This aligns with our goals of expanding our lending capacity and supporting economic development in the Mbale region. Moreover, our focus on thorough credit risk assessment helps us build strong, trust-based relationships with our clients, further contributing to our long-term success."

A branch manager described the credit risk controls in place at Brac Mbale Branch to mitigate default risks: "We have several credit risk controls in place to mitigate default risks, including stringent credit scoring models, comprehensive background checks, and in-depth financial analysis. We also conduct regular site visits and continuous monitoring of our loan portfolio. These controls ensure that we accurately assess and manage the risk associated with each loan application."

A credit officer elaborated on how these credit risk controls contribute to the overall financial stability of the Mbale Branch: "The credit risk controls we have in place contribute significantly to our financial stability by reducing the likelihood of defaults. By ensuring that we only approve loans to applicants with a strong ability to repay, we minimize the risk of financial losses. This proactive approach to risk management helps us maintain a stable and healthy loan portfolio, which is crucial for our long-term financial health."

A supervisor provided examples of how stringent credit risk controls have minimized credit losses at Brac Mbale Branch: "One example of how our stringent credit risk controls have minimized credit losses is our use of comprehensive credit scoring models. These models help us accurately assess the creditworthiness of applicants and identify potential risks early on. Additionally, our regular site visits and continuous monitoring of the loan portfolio have allowed us to detect and address issues before they become significant problems, thereby reducing the likelihood of defaults and credit losses."

A sales agent shared their opinion on how proactive credit risk controls enhance profitability at the Mbale Branch: "Proactive credit risk controls enhance our profitability by ensuring that we maintain a high-quality loan portfolio with minimal defaults. By accurately assessing and managing the risk associated with each loan, we are able to reduce the likelihood of financial losses and maintain a steady flow of repayments. This, in turn, supports our overall financial stability and allows us to continue extending credit to more clients, thereby increasing our revenue and profitability."

*Table 4.8 Model Summary on Credit Risk Control*

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change

1	.400 <sup>a</sup>	.160	.133	.59165	.160	5.910	1	31	.021
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a. Predictors: (Constant), credit risk control

Source: Field data (2024)

To determine the effect of credit risk control on financial performance, a simple regression analysis was undertaken (Table 4.8). The results revealed that credit risk control is significantly correlated to financial performance by 40% at  $p = 0.021$ . In terms of the effect, credit risk control accounts for 16% of the variations in financial performance as indicated by R Square value. This implies that credit risk control is significant determinant of financial performance in Brac.

#### 4.6 Descriptive Findings on Credit Collection Policy

This section presents the descriptive findings on credit collection policy of Brac using percentages, mean and standard deviation as follows;

**Table 4.9: Descriptive Findings on Credit Collection Policy**

Statement	1	2	3	4	5	Mean	Std Dev	Comment
Robust credit collection policies enhance Brac's cash flow.	9.1%	36.4%	15.2%	30.3%	9.1%	2.94	1.197	Moderate
Effective collection policies minimize Brac's bad debt expenses.	12.1%	36.4%	15.2%	36.4%	0.0%	2.76	1.091	Moderate
Stringent credit collection practices improve Brac's liquidity.	24.2%	45.5%	15.2%	12.1%	3.0%	2.24	1.062	Low

Prudent collection policies reduce Brac's credit risk exposure.	0.0%	36.4%	15.2%	48.5%	0.0%	3.12	.927	Moderate
Proactive collection strategies enhance Brac's profitability.	6.1%	45.5%	21.2%	18.2%	9.1%	3.29	1.111	Moderate
Timely debt recovery supports Brac's asset quality.	12.1%	39.4%	12.1%	30.3%	6.1%	2.79	1.193	Moderate
Sound collection policies optimize Brac's working capital.	21.2%	27.3%	18.2%	30.3%	3.0%	2.67	1.216	Moderate
Strategic debt recovery efforts improve Brac's financial resilience.	18.2%	57.6%	6.1%	15.2%	3.0%	2.27	1.039	Low
OERALL						2.76	1.1045	Moderate

**Source: Field data (2024)**

**On inquiring whether** Robust credit collection policies enhance Brac 's cash flow, results in the table above reveal that 30.3% and 9.1% of the respondents agreed with the statement, 36.4% and 9.1%

disagreed while 15.2% were uncertain about the statement. The stated mean score of 2.94 and standard deviation of 1.197 signify that robust credit collection policies enhance Brac's cash flow to a low level. **Relatedly, on whether** effective collection policies minimize Brac's bad debt expenses, results presented in the table above reveal that 36.4% of the respondents agreed with the statement, 36.4% and 12.1% of the respondents disagreed while 15.2% of the respondents were uncertain about the statement. The stated mean score of 2.76 and standard deviation of 1.091 indicate that effective collection policies minimize Brac's bad debt expense to a low level.

**Concerning whether** stringent credit collection practices improve Brac's liquidity, findings presented in the table above show that 12.1% and 3.0% of the respondents agreed with the assertion, 45.5% and 24.2% of the respondents disagreed while 15.2% of the respondents remained neutral about the statement. The stated mean score of 2.24 and standard deviation of 1.062 indicate that stringent credit collection practices improve Brac's liquidity to a low level.

**In a similar manner, results in the table above indicate that** 48.5% of the respondents were agreeing that prudent collection policies reduce Brac's credit risk exposure, followed by 36.4% who disagreed while 15.2% were uncertain about the statement. The stated mean score of 3.12 and standard deviation of 0.927 indicate that most of the respondents were agreeing with the statement. The findings mean that prudent collection policies reduce Brac's credit risk exposure.

**On whether** proactive collection strategies enhance Brac's profitability, findings in the table above reveal that 18.2% and 9.1% of the respondents were agreeing with the statement, 45.5% and 6.1% were disagreeing while 21.2% were uncertain about the statement. The stated mean score of 2.79 and standard deviation of 1.111 indicate that Proactive collection strategies enhance Brac's profitability to a low level.

**Concerning whether** timely debt recovery supports Brac's asset quality, findings in the table above reveal that 30.3% and 6.1% of the respondents were agreeing with the statement, 39.4% and 12.1% disagreed while the least 12.1% were uncertain about the statement. The stated mean score of 2.79 and standard deviation of 1.193 indicate that timely debt recovery supports Brac's asset quality to a low level. Considering whether Sound collection policies optimize Brac's working capital, findings presented in the table above reveal that 30.3% and 3.0% of the respondents agreed with the statement, 27.3% and 21.2% disagreed while 18.2% of the respondents remained neutral about the assertion. The stated mean score of 2.67 and standard deviation of 1.216 signify that Sound collection policies optimize Brac's working capital to a low level.

On whether strategic debt recovery efforts improve Brac 's financial resilience, finding presented in the table above show that 15.2% and 3.0% of the respondents agreed with the statement, 57.6% and 18.2% disagreed while 6.1% were uncertain about the statement. The stated mean score of 2.27 and standard deviation of 1.039 signify that strategic debt recovery efforts improve Brac's financial resilience to a low level.

The above findings represented in the descriptive statistics give a fairly general picture. The grand mean stands at 2.76, which was strengthened by the standard deviation at 1.1045. The results therefore give a fairly a general picture from the findings indicating that credit collection policy enhances the financial performance in to a low level.

When asked about the credit analysis process followed at Brac Mbale Branch, a branch manager said: "At Brac Mbale Branch, our credit analysis process involves several key steps. Initially, we gather comprehensive information about the applicant, including their personal details, financial history, and creditworthiness. This is followed by a thorough evaluation of their income, employment status, and any existing debts. We also perform a detailed analysis of their business or personal cash flow to assess their ability to repay the loan. Additionally, we utilize credit scoring models and risk assessment tools to evaluate the likelihood of default. The final step involves a credit committee review, where a collective decision is made based on all gathered data."

A credit officer at the Mbale Branch explained how the credit analysis process contributes to the quality of loan portfolios: "Our rigorous credit analysis process ensures that we only approve loans for applicants with a strong likelihood of repayment. By carefully evaluating each applicant's financial situation and creditworthiness, we are able to maintain a high-quality loan portfolio. This meticulous approach reduces the risk of defaults and ensures that our loan portfolio remains healthy and sustainable."

A supervisor at Brac Mbale Branch shared their experience on the impact of effective credit analysis on financial stability: "Effective credit analysis has been pivotal in maintaining the financial stability of our branch. By minimizing the occurrence of non-performing loans, we are able to ensure a steady flow of repayments, which in turn supports our liquidity and overall financial health. This stability allows us to continue extending credit to more clients, thereby supporting the growth of our branch and the community we serve."

When asked about the measures taken to ensure thorough credit risk assessment and mitigation, a sales agent at the Mbale Branch responded: "To ensure thorough credit risk assessment and mitigation, we employ a multi-layered approach. This includes detailed credit scoring, stringent background checks, and in-depth financial analysis. We also conduct site visits to verify the information provided by applicants. Additionally, we continuously monitor and review our loan portfolio to identify any potential risks early on. We have also invested in training our credit officers to ensure they have the skills and knowledge to conduct thorough assessments."

A branch manager provided examples of how credit analysis has helped in minimizing non-performing loans at Brac Mbale Branch: "One notable example is our targeted approach to small business loans. By conducting detailed cash flow analyses and understanding the specific risks associated with various industries, we have been able to tailor our credit assessments accordingly. This has significantly reduced the number of non-performing loans in our small business segment. Another example is our use of credit scoring models that incorporate both traditional and alternative data, allowing us to better predict and mitigate potential defaults."

A credit officer discussed how the credit analysis process aligns with the long-term financial objectives of the Mbale Branch: "Our credit analysis process is designed to support the long-term financial objectives of the Mbale Branch by ensuring sustainable growth and profitability. By maintaining a high-quality loan portfolio and minimizing defaults, we are able to achieve steady financial returns. This aligns with our goals of expanding our lending capacity and supporting economic development in the Mbale region. Moreover, our focus on thorough credit risk assessment helps us build strong, trust-based relationships with our clients, further contributing to our long-term success."

A branch manager described the credit risk controls in place at Brac Mbale Branch to mitigate default risks: "We have several credit risk controls in place to mitigate default risks, including stringent credit scoring models, comprehensive background checks, and in-depth financial analysis. We also conduct regular site visits and continuous monitoring of our loan portfolio. These controls ensure that we accurately assess and manage the risk associated with each loan application."

A credit officer elaborated on how these credit risk controls contribute to the overall financial stability of the Mbale Branch: "The credit risk controls we have in place contribute significantly to our financial stability by reducing the likelihood of defaults. By ensuring that we only approve loans to applicants

with a strong ability to repay, we minimize the risk of financial losses. This proactive approach to risk management helps us maintain a stable and healthy loan portfolio, which is crucial for our long-term financial health."

A supervisor provided examples of how stringent credit risk controls have minimized credit losses at Brac Mbale Branch: "One example of how our stringent credit risk controls have minimized credit losses is our use of comprehensive credit scoring models. These models help us accurately assess the creditworthiness of applicants and identify potential risks early on. Additionally, our regular site visits and continuous monitoring of the loan portfolio have allowed us to detect and address issues before they become significant problems, thereby reducing the likelihood of defaults and credit losses."

A sales agent shared their opinion on how proactive credit risk controls enhance profitability at the Mbale Branch: "Proactive credit risk controls enhance our profitability by ensuring that we maintain a high-quality loan portfolio with minimal defaults. By accurately assessing and managing the risk associated with each loan, we are able to reduce the likelihood of financial losses and maintain a steady flow of repayments. This, in turn, supports our overall financial stability and allows us to continue extending credit to more clients, thereby increasing our revenue and profitability."

When asked about the credit collection policy followed at Brac Mbale Branch, a branch manager outlined: "Our credit collection policy involves timely follow-ups and reminders to borrowers regarding their repayment schedules. We employ a combination of automated reminders and personal calls to ensure borrowers are aware of their obligations. Additionally, we have a structured approach for handling late payments, which includes grace periods, penalties, and eventual involvement of collection agencies if necessary. This policy ensures that we manage our receivables efficiently and minimize the risk of default."

A credit officer explained how the credit collection policy contributes to cash flow management at the Mbale Branch: "The credit collection policy is crucial for maintaining a steady cash flow. By ensuring that borrowers adhere to their repayment schedules, we can predict and manage our cash inflows more effectively. This steady cash flow allows us to meet our financial obligations, such as disbursing new loans and covering operational expenses, thereby maintaining the financial health of our branch."

A supervisor at the Mbale Branch shared their experience on the impact of effective debt collection strategies on liquidity: "Effective debt collection strategies have significantly improved our liquidity. By

ensuring timely repayments, we maintain a steady inflow of funds, which is essential for our day-to-day operations. This improved liquidity enables us to extend more credit to our clients and invest in growth opportunities, thereby enhancing the overall financial stability of our branch."

A sales agent provided examples of how proactive debt collection efforts have reduced bad debt expenses at Brac Mbale Branch: "Proactive debt collection efforts, such as regular follow-ups and personalized reminders, have been effective in reducing bad debt expenses. For instance, we have seen a significant decrease in late payments due to our consistent engagement with borrowers. Additionally, by addressing potential issues early on, we can work with borrowers to find solutions before their loans become non-performing, thereby minimizing our bad debt expenses."

A branch manager described the measures in place to ensure timely debt recovery and revenue recognition at Brac Mbale Branch: "We have several measures in place to ensure timely debt recovery and revenue recognition, including automated repayment reminders, personalized follow-ups, and a structured penalty system for late payments. We also have a dedicated team responsible for monitoring and managing overdue accounts, ensuring that we take prompt action to recover debts. These measures help us maintain a steady cash flow and recognize revenue accurately."

A credit officer assessed the impact of the credit collection policy on the profitability of the Mbale Branch: "The credit collection policy has a direct impact on our profitability. By ensuring timely repayments and minimizing defaults, we can maintain a healthy loan portfolio and steady cash flow. This, in turn, supports our revenue generation and reduces the costs associated with bad debts. Ultimately, the effectiveness of our credit collection policy contributes to our overall financial performance and profitability."

A supervisor shared recommendations to further optimize the credit collection policy and enhance the financial performance of Brac Mbale Branch: "To further optimize our credit collection policy, I recommend leveraging advanced data analytics to predict and identify potential default risks early on. Additionally, implementing more personalized and flexible repayment plans can help borrowers stay on track with their payments. We could also explore partnerships with fintech companies to enhance our collection processes through technology. These measures can help improve our debt recovery rates and enhance our financial performance."

***Table 4.10 Model Summary on Credit Collection Policy***

### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.694 <sup>a</sup>	.481	.464	.46512	.481	28.725	1	31	.000

a. Predictors: (Constant), credit collection policy

Source: Field data (2024)

To determine the effect of credit collection policy on financial performance, a simple regression analysis was undertaken (Table 4.10). The results revealed that credit collection policy is significantly correlated to financial performance by 69.4% at  $p=0.000$ . In terms of the effect, credit collection policy accounts for 48.1% of the variations in financial performance as indicated by R Square value. This implies that credit collection policy is significant determinant of financial performance in Brac.

**Table 4.11 Multiple Model Summary Findings**

### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.763 <sup>a</sup>	.582	.539	.43147	.582	13.467	3	29	.000

a. Predictors: (Constant), credit collection policy, credit analysis, credit risk control

**Source: Field Data (2024)**

Table 4.11 above indicates a model summary for the multiple regressions on all the specific objectives combined. The findings therefore reveal that the three specific objectives that include credit collection policy, credit analysis, and credit risk control predict financial performance in Brac by 58.2% as reflected by the R Square whereas the remaining percent of 42.8% is predicted by other factors different from those considered in this study. The table above further reveals that there is a strong association between credit management and financial performance as depicted by the study variable of  $R=0.763$ . Therefore, that is the effect that credit management has on financial performance in reference to Brac.

**Table 4.12 Regression Coefficients**

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.703	.408		1.723	.096
1 Credit analysis	.281	.112	.364	2.514	.018
Credit risk control	.093	.136	.110	.684	.030
Credit collection policy	.636	.124	.702	5.153	.000

a. Dependent Variable: financial performance

**Source: Field Data (2024)**

Findings from table above reveal that credit collection policy is the greatest contributor to financial performance with a beta value ( $\beta$ ) = 0.702; Sig = 0.000. This confirms that credit collection policy significantly affects financial performance. Since Sig. 0.000 is less than the t-statistic value of 8.338 and the standard error value of 5.153. Therefore, the study concludes that credit collection policy affects financial performance in Brac, Mbale branch.

Findings also reveal that credit analysis is second contributor to financial performance with beta value ( $\beta$ ) = 0.364; Sig = 0.018. This implies that credit analysis significantly influences financial performance. Since Sig. 0.018 is less than the t-statistic value of 2.514 and the standard error value of 0.112. Therefore, it can be concluded that credit analysis affects financial performance in Brac

Finally, findings revealed that credit analysis is the least contributor to financial performance with a beta value ( $\beta$ ) = 0.110; Sig = 0.030. This implies that credit analysis positively leads to improvement in financial performance. Since Sig. 0.030 is less than the t-statistic value of 0.684 and the standard error value of 0.136. Therefore, the study concludes that credit analysis has positive but insignificant effect on financial performance.

## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter presents conclusions and recommendations of the study in relation to the establishment of the effect of credit management on financial performance in Brac. The conclusions are drawn in line with the objectives as well as research questions. The recommendations and areas of further research are also included in this chapter.

#### **5.1 Conclusions**

The conclusions were based on the three objectives of the study.

##### **5.1.1 Credit Analysis and Financial Performance**

From the findings above, the study concludes that credit analysis and financial performance are significantly corrected and this implies that when more emphasis is put towards ensuring that a proper credit analysis is followed, financial performance of the bank is enhanced. The study further concludes that improved credit risk assessment bolsters financial stability which is very key in ensuring the long term survival of the bank. Sound credit analysis fosters prudent lending practices which are key in determining the clients' potential to pay their loans. Rigorous credit assessment minimizes default risks as this allows the bank to get to an in depth understanding of the client to whom credit is to be extended.

##### **5.1.2 Credit Risk Control and Financial Performance**

The study concludes that having proper credit risk control plays a significant role in ensuring improved financial performance of the bank. This means that the bank needs to put more emphasis towards ensuring that proper risk control is exercised as a means of preventing any possible losses that may arise. The research also concludes that Credit risk controls enhance Brac's loan quality and this is very key in attracting new clients to come to the bank. Effective risk controls fortify Brac's financial stability.

##### **5.1.3 Credit Collection Policy and Financial Performance**

The study concludes that credit collection policy significantly affects financial performance of the bank and this implies that putting more emphasis in further strengthening the policy will help enhance financial performance of the bank. The study also concludes that robust credit collection policies enhance Brac's cash flow to a low level. Effective collection policies minimize Brac's bad debt expenses. Prudent

collection policies reduce Brac's credit risk exposure. Proactive collection strategies enhance Brac's profitability.

## **5.2 Recommendations**

The recommendations from the present study are offered in this section. The recommendations are presented objective by objective.

### **5.2.1 Credit Analysis and Financial Performance**

The study recommends that the bank should put more emphasis on ensuring that credit analysis is thoroughly carried out so as to ascertain the capacity of a client to repay their credit. This is very important because this helps in determining whether a customer can meet his/her obligations.

The management of the bank should as well put emphasis towards streamlining credit evaluation as this shall help ensure that all clients are rated on a common scale.

### **5.2.2 Credit Risk Control and Financial Performance**

The bank should put more emphasis on ensuring that risks are controlled as this shall reduce exposure to making losses. This shall help the bank enhance its profitability in the long run since most risks was under control.

The bank should come up with stringent credit collection practices as these shall help improve Brac's liquidity thereby increasing its ability to meet its obligations.

### **5.2.3 Credit Collection Policy and Financial Performance**

The management of the bank should from time to time review the existing credit collection policy as this shall help close any gaps in credit collection and hence boost the bank's financial position.

## **5.3 Areas for further research**

- i. Impact of Credit Risk Management on Financial Sustainability
- ii. Role of Digital Financial Services in Credit management
- iii. Effect of Interest Rate Policies on Client Retention
- iv. Assessment of Financial Literacy Programs on Borrower Behavior

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## APPENDIX I

### Questionnaire

**Dear Respondent,**

My name is NAMBUYA MERCY.REG NO. WJ22/MUC/BBA/016, a student of bachelors Business Administration at Uganda Christian University. I am conducting a study on “Credit risk management and financial performance in Lending institutions”. You have been selected to participate in this study by answering the following questions. Please tick the most appropriate response or elaborate where necessary. The information obtained from you shall be kept confidential and used for academic purposes only. You are also free to withdraw from participating at any time.

**Thank you in advance for your participation.**

#### **Section A: Respondents’ Demographic Information**

1. Gender      Male            [   ]

                    Female            [   ]

2. Age            18 – 25            [   ]

                    26 – 35            [   ]

                    36 – 45            [   ]

                    46 and above [   ]

3. Marital status      Single            [   ]

                            Married            [   ]

                            Widowed            [   ]

4. Education levels            Masters’ degree      [   ]

                                    Bachelor’s degree    [   ]

                                    Diploma            [   ]

                                    If other, please specify.....

5. Position
- Branch Manager [ ]
  - supervisor [ ]
  - Credit analyst [ ]
  - Sales Agents [ ]
  - Other, please specify.....

6. Duration of stay in this position
- 1 – 3 years [ ]
  - 3 – 5 years [ ]
  - 5 – 10 years [ ]
  - Over 10 years [ ]

**Section B: Effect of credit analysis on financial performance**

Please tick the most appropriate option in the ranking of the questions; Use the following Likert scale to rate your answers:

5– Strongly Agree (SA)

4– Agree (A)

3– Not Sure (NS)

2– Disagree (D)

1– Strongly Disagree (SD)

No.	Statements	Rankings				
		5	4	3	2	1
1.	Credit analysis enhances loan quality.					
2.	Improved credit risk assessment bolsters financial stability.					
3.	Effective credit analysis reduces non-performing loans.					
4.	Enhanced credit evaluation leads to better asset quality.					
5.	Sound credit analysis fosters prudent lending practices.					
6.	Rigorous credit assessment minimizes default risks.					
7.	Efficient credit analysis optimizes capital allocation.					
8.	Streamlined credit evaluation boosts profitability.					
9.	Thorough credit analysis supports sustainable growth.					

**Section D: Effect of Credit risk controls on financial performance**

Please tick the most appropriate option in the ranking of the questions; Use the following Likert scale to rate your answers:

5– Strongly Agree (SA)

4– Agree (A)

3– Not Sure (NS)

2– Disagree (D)

1– Strongly Disagree (SD)

No	Statements	Rankings				
		5	4	3	2	1
1.	Credit risk controls enhance Brac’s loan quality.					
2.	Effective risk controls fortify Brac’s financial stability.					
3.	Stringent credit risk controls reduce Brac’s credit losses.					
4.	Prudent risk mitigation strategies bolster Brac’s resilience.					
5.	Proactive credit risk controls minimize potential loan defaults.					
6.	Rigorous risk management fosters investor trust in Brac.					
7.	Sound credit risk controls optimize Brac’s capital utilization.					
8.	Strategic risk mitigation efforts enhance Brac’s profitability.					

**Section E: Effect of Credit Collection policy on financial performance**

Please tick the most appropriate option in the ranking of the questions; Use the following Likert scale to rate your answers:

5– Strongly Agree (SA)

4– Agree (A)

3– Not Sure (NS)

2– Disagree (D)

1– Strongly Disagree (SD)

No	Statements	Rankings				
		5	4	3	2	1
1.	Robust credit collection policies enhance Brac’s cash flow.					
2.	Effective collection policies minimize Brac’s bad debt expenses.					
3.	Stringent credit collection practices improve Brac’s liquidity.					
4.	Prudent collection policies reduce Brac’s credit risk exposure.					
5.	Proactive collection strategies enhance Brac’s profitability.					
6.	Timely debt recovery supports Brac’s asset quality.					
7.	Sound collection policies optimize Brac’s working capital.					
8.	Strategic debt recovery efforts improve Brac’s financial resilience.					

**Section F: Financial performance**

Please tick the most appropriate option in the ranking of the questions; Use the following Likert scale to rate your answers:

5– Strongly Agree (SA)

4– Agree (A)

3– Not Sure (NS)

2– Disagree (D)

1– Strongly Disagree (SD)

No	Statements	Rankings				
		5	4	3	2	1
1.	Brac's total assets have shown consistent year-on-year growth.					
2.	Net income has steadily increased over the past three years.					
3.	Return on assets (ROA) has remained above industry averages.					
4.	Brac's efficiency ratio reflects effective cost management.					
5.	The net interest margin has improved year-over-year.					
6.	Capital adequacy ratios indicate strong financial stability.					
7.	Non-performing loans ratio has decreased, signaling improved asset quality.					
8.	Loan loss provisioning has been prudently managed.					


**Thank you very much for your time**

## **Appendix II: INTERVIEW GUIDE**

1. Can you describe the credit analysis process followed at Brac Mbale Branch?
2. How does the credit analysis process contribute to the quality of loan portfolios at the Mbale Branch?
3. In your experience, how has effective credit analysis impacted the financial stability of Brac Mbale Branch?
4. What measures are taken to ensure thorough credit risk assessment and mitigation at the Mbale Branch?
5. Can you provide examples of how credit analysis has helped in minimizing non-performing loans at Brac Mbale Branch?
6. How does the credit analysis process align with the long-term financial objectives of the Mbale Branch?
7. In what ways do you believe improvements in credit analysis can further enhance the financial performance of Brac Mbale Branch?
8. What credit risk controls are in place at Brac Mbale Branch to mitigate default risks?
9. How do these credit risk controls contribute to the overall financial stability of the Mbale Branch?
10. Can you provide examples of how stringent credit risk controls have minimized credit losses at Brac Mbale Branch?
11. In your opinion, how do proactive credit risk controls enhance profitability at the Mbale Branch?
12. What strategies are implemented to ensure compliance with regulatory requirements regarding credit risk management at the Mbale Branch?
13. How do you measure the effectiveness of credit risk controls in optimizing capital utilization at Brac Mbale Branch?
14. What improvements or adjustments do you believe could further strengthen credit risk controls and positively impact the financial performance of the Mbale Branch?
15. Could you outline the credit collection policy followed at Brac Mbale Branch?
16. How does the credit collection policy contribute to cash flow management at the Mbale Branch?

17. In your experience, how have effective debt collection strategies impacted the liquidity of Brac Mbale Branch?
18. Can you share examples of how proactive debt collection efforts have reduced bad debt expenses at the Mbale Branch?
19. What measures are in place to ensure timely debt recovery and revenue recognition at Brac Mbale Branch?
20. How do you assess the impact of the credit collection policy on the profitability of the Mbale Branch?
21. What recommendations would you make to further optimize the credit collection policy and enhance the financial performance of Brac Mbale Branch?

Appendix iii: Acceptance letter

 **UGANDA CHRISTIAN UNIVERSITY, MBALE UNIVERSITY COLLEGE.**  
A Centre of Excellence in the Heart of Africa

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Academic Registrar office

To THE MANAGER  
BRAC - MBALE BRANCH

Dear Sir/Madam,

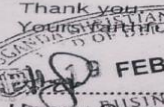
Re: Academic Research

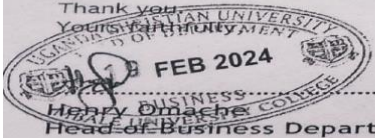
Christian greetings!


We are honored to introduce to you Mr. Mrs. /Miss. NAMBUMA MERCY  
Of Registration Number; WT221MUC15BA/016 pursuing a Masters' Degree/Postgraduate Diploma / Bachelor's Degree BBA

He/ she is required to carry out an academic research on the topic CREDIT MANAGEMENT AND FINANCIAL PERFORMANCE OF LENDING INSTITUTIONS A CASE OF BRAC-MBALE BRANCH and thereafter produce a well bound hard cover research report (MAROON) in color for undergraduate and three (BLACK) copies for Postgraduate students as a University requirement for the award of a degree/diploma in the academic discipline that he / she is pursuing.

We shall be grateful for the help you may offer to him or her accordingly.

Thank you,  
Yours faithfully,  
  
**Henry Omach**  
Head of Business Department UCU-MUC





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