THE IMPACT OF DEBT MANAGEMENT STRATEGIES ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN UGANDA

(CENTENARY BANK NAKASERO)

BY

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A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF ECONOMICS AND MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A BACHELOR'S DEGREE IN BUSINESS ADMINISTRATION OF KAMPALA INTERNATIONAL UNIVERSITY

SEPTEMBER, 2019
DECLARATION

I Balyawo Antony declare that this research report submitted to the College of Economics and Management for the award of a Bachelor’s degree in Business Administration Finance and Accounting of Kampala International University is my original work and that it has not been presented to any other University or any other higher institute of learning for any award.

SIGNATURE .................................. DATE ........................................

BALYAWO ANTONY

1163-05014-06046
APPROVAL

I confirm that this research report on the topic entitled “Impact of debt management strategies on the financial performance of commercial banks” taking a case study of Nakasero Centenary Bank main branch. It will be supervised under my guidance and will be submitted for approval with my authorization.

SIGNATURE .................................. DATE ..........................

MADAM TUMWEBAZE LYDIA

(SUPERVISOR)
DEDICATION

This work is dedicated to my parents Mr. and Mrs. Kozaala Josephine for all the sacrifice, patience and commitment inclusive of the challenges you faced in educating and making me more enlightened. May the Almighty God bless you abundantly?

I also dedicate this piece of work to my supervisor, Madam Tumwebaze Lydia for providing me with her professional guidance, encouragement and his time during the research process.

Lastly but not least, I also dedicate this piece of work to the entire staff of Nakasero Centenary Bank main branch, Kampala district and the staff of Kampala International University especially the College of Economics and Management as well as students that gave me a platform which led to the success of this study.
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ABSTRACT

Commercial banks are in the business of safeguarding money and other valuables for their Members besides providing loans and offering investment financial services. Credit creation is the main income generating activity for the commercial banks. But this activity involves huge risks to both the lender and the borrower. The risk of a member not fulfilling his or her obligation as per the contract on due date or anytime thereafter can greatly jeopardize the smooth functioning of commercial banks business. The purpose of the study was to investigate the effect of debt management on the financial performance of commercial banks. The study was based on three specific objectives; to find out the different debt management strategies used by commercial banks, to examine the financial performance levels of commercial banks and to assess the relationship between debt management and financial performance in commercial banks. It was based on a descriptive survey design basing on the use of qualitative and quantitative approaches that was adopted to establish the effect of credit management on Financial Performance of commercial banks in Centenary Bank Nakasero, Kampala district.

A random sampling system used in the study. Questionnaires, observation and response rate were used to collect primary and secondary sources of data from 50 out of 60 respondents, using simple random sampling. Data analysis was done using SPSS’s frequencies. Finally the report looked at the study results and gave the discussion of each finding. Therefore, here, data analysis, procedures and response rate are focused on. Then the findings conclusions and recommendations are presented. According to objective one, provided average of different debt management strategies used by commercial banks have a positive effect that the strategies formulated debt management strategies being used by commercial banks in Centenary bank, Nakasero, Kampala District helped in the growth of commercial banks in which affect the credit management of financial institutions staff had the findings over 58% levels of agreement on the areas provided / studied or selected. According objective two, the importance of financial performance of commercial banks indicate that the financial performance has helped in the valuing the effectiveness of commercial banks and have greatly increased overtime by response of 68% and financial performance is helpful in the growth of commercial banks and has greatly increased overtime by 59%. According to objective three, the study findings revealed that the relationship between debt management and financial performance in commercial banks are responsible for the increase in the profitability of commercial banks has generated had a positive effect on the financial management in Centenary bank, Nakasero, Kampala District with 66% of respondents who strongly agreed and 24% agreed. Though majority of the respondents did not comply with what was being analyzed according to the data in the table above. The structures that would ensure that the laid down credit risk policies are strictly adhered to, is lacking in majority of financial institutions. We obtained the findings and analyzed the data by use of tables and charts which helped to present data and arrive at conclusion and recommendations. Conclusion, enormous efforts have tried to improve on the nature of loan assessment/debt management policies and to prevent bad debts from accumulating by ensuring that they establish strict internal guidelines which ensure that the loan is based on a sound credit analysis and also to establish a long term customer relationship between the bank and its customers. Recommendation, this would help to minimize loan losses and ensure that the profitability of these financial institutions and their members is safeguarded.
CHAPTER ONE  
INTRODUCTION

1.0 Introduction
Under this chapter the study will discuss the Background, of the study, statement of the problem, the purpose of the study, objectives of the study, research questions, and the scope of the study, the conceptual framework, and the significance of the study.

1.1 Background of the study
A debt is a duty or obligation to pay, deliver goods or render services under express or implied agreement. One who owes is a debtor and the one to whom it is owed is a debtee or creditor or lender, (business library.com). Debt refers both short and long term loan. Debt management is the regulation of the size and handling of the structure of the public debts. In other words, it’s the act taken to manage debts Bank of Uganda (2016).

Banks are firms that efficiently provide wide range of financial services for profits, Issn.2227-1902(Online version) Alternatively, Banks are profit making organizations performing as intermediaries connecting borrowers and lenders in bringing temporarily available resources from business and individual customers as well as providing loans for those in need of financial support Boahene, S.H., Dasah, J. and Agyei, S. K.(2012). Commercial banks play a vital role in developing economies like Uganda, Kenya and Tanzania.

Not surprising, banks have an important role in the economy and society as a whole. Their central role is to make the community’s surplus of deposits and investments usually by lending it to people for various investment purposes: company growth, education, houses Centenary Bank(8 April 2016).

Banking in its most simple form is as old as authentic history. As early as 2010 B.C. Babylonians had developed a system of banks. Shekhar K.C & Lekshmy Shekhar.(9th edition 2015).

Banking in Uganda started in 1962 and by then government owned institutions dominated not banking in the country (library of congress, 2014). Thereafter, around 1966, bank of Uganda became the central bank whereby it managed all the foreign exchange reserves and was also in charge of issue of currency.
Commercial banking was dominated by the Uganda commercial bank which had over fifty branches throughout the country and was wholly government owned (Nannozi, 2011).

The Uganda development bank, a state owned development financial institution which used to channel, loans from international sources into Ugandan enterprises and administered most of the development loans made to Uganda was among the commercial banks operating by that time (Bank of Uganda, 2013).

The East African Development Bank was then established in the subsequent year and many other commercial banks were established by the 1960's and among them included: Bank of India. Standard chartered Bank and Bank of Baroda among others (Juuko, 2014).

The bank was founded in 1983 as a credit trust, Centenary Rural Development Trust (CRDT). By Simeon Lutaakome, Hugh Francis Pulle, Paul Kateregga, Vincent Kirabo Maria, Emmanuel Mpande and John Ogutu. In 1985, CRDT began to provide financial services to the public (Abdelrahim, K. E. 2013).

Centenary Rural Development Bank Ltd started as an initiative of the Uganda National Lay Apostolate in 1983 as a credit Trust and it began operations in 1985 with the main objective of serving the rural poor and contributing to the overall economic development of the country. In1993, Centenary Rural Development Bank Ltd was registered as a full service commercial bank (Bank of Uganda, 2012).

The bank became a fully licensed commercial bank in 1993, after receiving a license from the Bank of Uganda. Since DFCU took over crane bank in January 2017, Centenary Bank has been the largest indigenous Ugandan bank (Marshal, I. and Onyekachi, O. 2014).

The bank is a largest financial services provider in Uganda. It is primarily involved in the promotion of development through loans to rural farmers, processors of agricultural produce, small traders, small manufacturers, importers, and exporters. While engaged in all areas of commercial banking, the bank has a significant portion of its portfolio in the microfinance arena in an attempt to meet the needs of the many individuals and business entities with limited means. As of December 2015, the bank’s assets were UGX: 1.974 trillion, with customer deposits of
UGX: 1.380 trillion and shareholders’ equity of UGX: 400 billion Centenary Bank (8 April 2016).

As of December 2015, Centenary Bank had its headquarters in Kampala. Its headquarters building is Mapeera house on Kampala Road opposite City Square. The bank had a network of sixty four bank branches together with one hundred fifty seven (157) linked automated teller machines at 115 locations in the central, western, Northern, and Eastern Regions. The bank had 1,473,958 deposit accounts EABW Staff (17 June 2012).

As of April (2014), Centenary Bank had employed more than two thousands two hundred Eleven individuals who were working in its numerous branches (over sixty four around the country) and also operating its automatic teller machines (ATMS, which were one hundred fifteen by then).

As of December 2015, the bank’s stock was privately owned by the following corporate entities and individuals: Roman Catholic Dioceses of Uganda (38.5%), Uganda Roman Catholic Secretariat(3 1.3%), Stitching Hivos-Triodos Fonds, a wholly owned subsidiary of Triodos Bank(18.3%), Solidarité Internationale pour le Development et l’Investissement, a French investment bank(1 1.6%), and four Ugandan individuals(0.3%) BOU (2015)

Today it’s the leading Microfinance Commercial Bank in Uganda serving over one million Four hundred thousand (1,400,000) customers. Its services can be accessed across sixty seven (65) branches, 167 ATMs and the phone banking (Cente Mobile) platform. Centenary bank (2016)

1.2 Statement of the problem
Commercial banks using highly effective and efficient debt management strategies like Cash flow forecasting, Operational risk management, Debt records and reporting, debt consolidation loan, debt cycle strategy budgeting strategy among others such banks are protected from bad debts and legal consequences. Centenary bank is faced with the problem of bad debts, administrative costs; Bank of Uganda (2015).

In the bid to improve on its financial performance, the bank through its enormous efforts has tried to improve on the nature of loan assessment/debt management policies and to prevent bad debts from accumulating by ensuring that they establish strict internal guidelines which ensure that the loan is based on a sound credit analysis and also to establish a long term customer
relationship between the bank and its customers. This has been done to enable the bank acquire some considerable valuable information which can be used to assess if the borrower is eligible for a loan Centenary bank (2013).

Despite all the above, the financial performance of some of these commercial banks is still poor as they still experience low profitability levels (The Observer, September 2014). It is upon this that the researcher will be prompted to earn out research on the effect of debt management on the financial performance of commercial Bank.

1.3 Purpose of the study
The study was to investigate the effect of debt management on the financial performance of commercial banks.

1.4 Specific Objectives
i. To find out the different debt management strategies used by commercial banks.
ii. To examine the financial performance levels of commercial banks.
iii. To assess the relationship between debt management and financial performance in commercial banks.

1.5 Research questions
i. What are the different debt management strategies used by commercial banks?
ii. What are the financial performance levels of commercial banks?
iii. What is the relationship between debt management and financial performance in commercial banks?

1.6 Scope of the study

1.6.1 Time scope
The study took a period of 6 months from March to August 2019. This period was selected to enable the researcher write his report writing with coherent information from the respondents as it enabled these (respondents) to give responses that would be typical of their opinion from the observations made over this period. The researcher also used data from Centenary Bank cited from 2010-2019.
1.6.2 Geographical scope
The study was carried out in Centenary bank at the head office in Kampala Uganda because Centenary bank has been managing a lot of debts in recent years.

1.6.3 Subject scope
The study covered the concept of debt management as the independent variable examining the different debt management strategies adopted by centenary banks. It also assessed the concept of financial performance as the dependent variable through its indicators-these included; reduced bad debts, profit levels, changes in working capital and mention but a few, The study also conceptualized the relationship between debt management and financial performance due to the researcher’s interest which was to find out how debt management affects the financial performance of commercial banks.

1.7 Significance of the study
The study tried to assist centenary bank to improve on its debt management policies. This resulted into maximizing profits and hence good financial performance of the bank.

The study helped the researcher to know the different debt management strategies.

The study helped the researcher to acquire knowledge about how debts are managed in commercial banks. The research helped the researcher to find out the relationship that exists between debt management and financial performance of commercial banks.

The study helped the researcher to know the financial performance of commercial banks. The study also improved on the knowledge of the researcher. The study helped the researcher to know the importance of proper debt management. The study was also useful to other researchers who are interested in carrying research on the same study.
1.8 Conceptual framework

Debt management is the regulation of the size and handling of the structure of the public debts. In other words, it’s the act taken to manage debts (Ferlex 2012).

In the past debts were issued to finance wars, natural calamities and other extra ordinary events. In loss ever, debts are now used for more peaceful means like real INS estimates among others Wooldridge Jeffrey, M. (2015).

Figure 1: 1.1 Conceptual frame work

**Independent Variables**
- Debt management
  - Cash flow forecasting
  - Operational risk management
  - Debt records and reporting

**Dependent Variables**
- Financial Performance
  - Profitability
  - Liquidity
  - Effectiveness

**Intervening Variables**
- Government policy
- Behavioral traits
- Customs and norms


How fiscal policies affect the price level, debt management was the independent variables with, Cash flow forecasting, Operational risk management and Debt records and the dependent variable is employed by financial institutions to explain variations or changes in financial performance of commercial banks (dependent variable). The listed variables are Profitability, liquidity, effectiveness. The application or uses of this determine the financial performance of Centenary Bank Nakasero.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction
This chapter contains description of the variables as per different authors and researchers and other various academic sources and publications, it also define the major concepts contained under the researcher's topic of debt management and financial performance of commercial banks and also several materials such as text books, magazines, pamphlets, newspapers and the internet will be consulted.

2.1. Debts
A debt refers to as a duty or obligation to pay, deliver goods or render services under express or implied agreement. One who owes is a debtor and the one to whom it is owed is a debtee, creditor or lender (Business dictionary.com).

Debt arise when a firm sales its products or services on credit and does not receive cash immediately. It is an essential marketing tool, acting as a bridge for the movement of goods and services through the production and distribution stages to customers. Debtors constitute a substantial portion of current assets of several firms Poudel, R. P. (2012)

Using debts in an organization's financial structure creates financial leverage that can multiply yields on the investment when the generated returns exceed its cost as interest paid on debt can be written off as an expense thus debt is normally the cheapest source of long term financing centenary (2014).

Senyonga (2018) stipulates that, whereas it would not be prudent for the business to sell on credit, because of the problems of bad debts and getting money from customers, most business finds themselves at crossroads because if they refuse to give credit to their customers, others will do so.

Debt financing can take various forms and these include: Financial institution loans, Peer to peer lending, Credit cards, Home-equity loans and line of credit among others (Pandey. 2010).
2.1.1 Types of debts or loans given to clients

**Secured debts.** This is a debt in which the borrower pledges some asset (e.g. a car or house) as collateral Signoriello, Vincent J. (2011).

**Mortgage debts.** This is a very common type of debt, used by many individuals to purchase residential property. The lender, usually a financial institution, is given security – a lien on the title to the property – until the mortgage is paid off in full. If the borrower defaults on the loan, the bank would have the legal right to repossess the house and sell it, to recover sums owing to it Signoriello, Vincent J. (2017-08-06).

**Unsecured debts.** These are monetary loans that are not secured against the borrower's assets. These may be available from financial institutions under many different guises or marketing packages:

**Credit card debt.** You can also receive a debt from your credit card lender with easy installment options depending on your repayment terms. The installments will be recorded on your credit card statements. In some states, only the credit card lender decided the clients to give the loan meaning that you can't opt for it on your own Horsley, Scott; Arnold, Chris (2 Jun 2016).

**Demand debts.** These are short-term loans that typically do not have fixed dates for repayment. Instead, demand loans carry a floating interest rate which varies according to the prime lending rate or other defined contract terms. Demand loans can be "called" for repayment by the lending institution at any time. Demand loans may be unsecured or secured Guttentag, Jack (October 6, 2010).

**Concessional debt.** This is sometimes called a "soft loan", is granted on terms substantially more generous than market loans either through below-market interest rates, by grace periods or a combination of both. Such loans may be made by foreign governments to developing countries or may be offered to employees of lending institutions as an employee benefit (sometimes called a perk) Signoriello Vincent J. (5/5/2013).
2.1.2 Categories of clients who acquire loans from commercial banks

**Bank officers** (individual loans). This is where employees within the banking institution like banking mangers, credit officer, borrow money for their own or personal investments. Common personal loans include mortgage loans, car loans, home equity lines of credit, credit cards, installment loans and payday loans. The credit score of the borrower is a major component in and underwriting and interest rates (APR) of these loans. The monthly payments of personal loans can be decreased by selecting longer payment terms, but overall interest paid increases as well.

**Companies** (Business loan). Company owners often think that if they can’t get a business loan from their bank, they’re out of luck. But that’s not the case. Business owners in need of financing have multiple options beyond the bank. However, the different types of business loans that are available have different qualification requirements, rates, and terms.

**Retailers** (small business loan). Whether retailers are looking to buy equipment, real estate, inventory, or just need some quick working capital, they will be covered. Loans to businesses are similar to the above, but also include commercial mortgages and corporate bonds. Underwriting is not based upon credit score but rather credit rating.

**Students** (school fees loan). Many students at different levels from different institutions and universities do acquire loans to support them in their studying process. They do pay their debts after being employed by different organizations where the bank directly deducts it’s money from their salary accounts.

**Farmers** (agricultural loan). Farmers do acquire loans from commercial banks in order to purchase farming materials like tractors, watering machines, spreading machines and many others. Repayments for these loans are made after the harvesting period by the farmers.
2.1.3 Debt management
The regulation of the size and handling of the structure of public debts, Actions taken to manage the debt have significant effect on the financial markets because government securities compete with private securities for the limited funds in the capital markets (Brian. 2013).

Ruwani Fernando, J. M. And Nimal, P. D. (2013.) Defines debt management as the strategies which help the debtor to repay or handle their debts better. It involves working with creditors to restructure debts and enabling the debtor manages payments effectively. Cima (2015) argues that credit and debt are directly related to each other. The amount of debt that you have affects your credit score, and the way you handle your debt and make payments affects your credit score. You need to understand that your credit history and credit score are two different things Keown & petty (2014). Therefore when you think about credit or debt management, it is important to realize that these two things are linked together.

The management of any organization can use the following information before credit is given to customers;

2.1.3.1 A cash flow forecasting
Estimate of the timing and amounts of cash inflows and outflows over a specific period (usually one year). A cash flow forecast shows if a firm needs to borrow, how much, when, and how it will repay the loan. Also called cash flow budget or cash flow projection.

Cash flow forecasting is important because if a business runs out of cash and is not able to obtain new finance, it will become insolvent. Cash flow is the life-blood of all businesses— particularly start-ups and small enterprises. As a result, it is essential that management forecast (predict) what is going to happen to cash flow to make sure the business has sufficient funds to survive. How often management should forecast cash flow is dependent on the financial security of the business. If the business is struggling, or is keeping a watchful eye on its finances, the business owner should be forecasting and revising his or her cash flow on a daily basis. However, if the finances of the business are more stable and 'safe', then forecasting and revising cash flow weekly or monthly is enough Singh, A. (2013).
Here are the key reasons why a cash flow forecast is so important:

Identify potential shortfalls in cash balances in advance—think of the cash flow forecast as an "early warning system". This is, by far, the most important reason for a cash flow forecast.

Make sure that the business can afford to pay suppliers and employees. Suppliers who don't get paid will soon stop supplying the business; it is even worse if employees are not paid on time.

Spot problems with customer payments—preparing the forecast encourage the business to look at how quickly customers are paying their debts. Note-this is not really a problem for businesses (like retailers) that take most of their sales in cash/credit cards at the point of sale.

As an important discipline of financial planning—the cash flow forecast is an important management process, similar to preparing business budgets.

External stakeholders such as banks may require a regular forecast. Certainly, if the business has a bank loan, the bank will want to look at the cash flow forecast at regular intervals.

Trade references whereby new customers should be required to bring references say horn former suppliers or Bankers, Financial statements, previous credit history, Department of trade and industry, the management should also set up credit limits for new customers and the limits should be revised thoroughly Singh, A. (2013).

Commercial banks should consider the following more factors before granting debts or lending money to their customers so as to ensure effective management of their debts and efficient fulfillment of their essential functions of borrowing and lending. These factors include, the liquidity levels, Profitability level, the purpose of the advance, Safety and security of the advance, Nawaz, M. and Munir, S. (2012).

Nachane Dilip, M. (2016.) defines debt risk simply as the potential that a financial institution will fail to meet its obligations in accordance with agreed terms. The goal of debt management is to maximize a financial institution’s risk-adjusted rate of return by maintaining debt risk exposure within acceptable parameters. Institutions need to manage the debt risk inherent in the entire portfolio as well as the risk in individual credits or transactions. Financial institutions
should also consider the relationships between debt risk and other risks. The effective management of debt risk is a critical component of comprehensive approach to risk management and essential to the long-term success of any banking organization. Debt risk is also defined as the risk of loss due to the inability or unwillingness of a counter-party to meet its contractual obligations Bank of Uganda (2010).

Models proposed by Straka(2014) and Wheaton et al,(2010), have expressed default as the end result of some trigger event, which makes it no longer economically possible for a borrower to continue offsetting a credit obligation. Though there are various definitions of debt/credit risk, one outstanding concept portrayed by almost every definition is the probability of loss due to default. However, a lot of divergences emerge on defining what default is, as this is mainly dependent on the philosophy and/or data available to each model builder. Liquidation, bankruptcy filing, loan loss (or charge off), nonperforming loans (NPLs) or loan delayed in payment obligation, are mainly used at banks as proxies of default risk.

2.1.3.2 Operational Risk Management:
The term Operational Risk Management (ORM) is defined as a continual cyclic process which includes risk assessment, risk decision making, and implementation of risk controls, which results in acceptance, mitigation, or avoidance of risk. ORM is the oversight of operational risk, including the risk of loss resulting from inadequate or failed internal processes and systems; human factors; or external events. Unlike other type of risks (market risk, credit risk, etc.) operational risk had rarely been considered strategically significant by senior management Yang, Shirley Ou; Hsu, Carol; Sarker, Suprateek; Lee, Allen S. (2017).

Three levels

In Depth

In depth risk management is used before a project is implemented, when there is plenty of time to plan and prepare. Examples of in depth methods include training, drafting instructions and requirements, and acquiring personal protective equipment.
Deliberate risk management is used at routine periods through the implementation of a project or process. Examples include quality assurance, on-the-job training, safety briefs, performance reviews, and safety checks.

Time Critical

Time critical risk management is used during operational exercises or execution of tasks. It is defined as the effective use of all available resources by individuals, crews, and teams to safely and effectively accomplish the mission or task using risk management concepts when time and resources are limited. Examples of tools used includes execution check-lists and change management. This requires a high degree of situational awareness.

Aruwa, S. A. and Musa, O. A. (2014), in their study on debt management strategies of selected financial institutions in Malaysia found that majority of financial institution’s losses stem from outright default due to inability of customers to meet obligations in relation to borrowing. Debt is the oldest and biggest risk that a bank, by virtue of its very nature of business inherits. To most of the transition economies lending activities have been controversial and a difficult matter.

This is because business firms on one hand are complaining about lack of debt and the excessively high standards set by financial institutions, while financial institutions on the other hand have suffered large losses on bad loans according to Korir ,mark KPyle (2017) in his study on credit risk management held that financial institutions needed to meet the forth coming regulatory requirement for debt 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.

Therefore since commercial banks are part of these financial institutions they are also be aware of about risk particularly debt risk they face and the way how to manage these debts.

On the other commercial banks were established to fill the gap in the financial services sector by providing funds to the poor and lower income group and thus alleviating poverty and enhance their business activities. Centenary also provide funds for start-up business or for working capital (Woller et al.,) In addition, some banks also provide funds for non-business activities such as for
education and emergencies purpose. In doing so agency problems like, moral hazard and adverse selection of clients exist because of information asymmetries.

Information asymmetries are the main obstacle for centenary bank to provide loans to clients. This finally result debt risks which is the one that negatively affect the performance of Centenary bank (Nawai2010). Therefore efficient debt risk management is required. According to Aruwa, S. A. and Musa, O. A. (2014) to minimize these problems financial institutions usually requires business proposal, borrower past debt information and collateral before approving the loan. Centenary bank also offer credit through group-based lending method to mitigate agency problems, moral hazard and responsible to pay the loan or they will be denied access for the next loans. Adverse selection and to replace the collateral requirement.

In group-based lending, borrowers must form a group before applying loans and they also responsible to other loan members. If one member defaults, the others will be.

Nelson and Schwedt (2016), the banking industry has also made strides in managing debt risk. Until the early 1990s, the analysis of debt risk was generally limited to reviews of individual loans and banks kept most loans on their books to maturity. Today, debt risk management encompasses both loans reviews and portfolio analysis. Moreover, the development of new technologies for buying and selling risks has allowed many financial institutions to move away from the traditional book and hold lending practice in favor of a more active strategy that seeks the best mix of assets in light of the prevailing credit environment, market conditions, and business opportunities.

2.1.3.3 Debt records

Debt is an amount of money borrowed by one party from another. Debt is used by many corporations and individuals as a method of making large purchases that they could not afford under normal circumstances. A debt arrangement gives the borrowing party permission to borrow money under the condition that it is to be paid back at a later date, usually with interest. Stand4 Llc, (2011).
Breaking down debt

The most common forms of debt are loans, including mortgages and auto loans, and credit card debt. Under the terms of a loan, the borrower is required to repay the balance of the loan by a certain date, typically several years in the future. The terms of the loan also stipulate the amount of interest that the borrower is required to pay annually, expressed as a percentage of the loan amount. Interest is used as a way to ensure that the lender is compensated for taking on the risk of the loan while also encouraging the borrower to repay the loan quickly in order to limit his total interest expense.

Credit card debt operates in the same way as a loan, except that the borrowed amount changes over time according to the borrower's need, up to a predetermined limit, and has a rolling, or open-ended, repayment date.

Girardone and Molyneux (2016), cited in xiu Zhu (2017), that settlement risk is a risk typically faced in the financial institutions market and it refers to the situation where one part to a contract fails to pay money or deliver assets to another party at the settlement time, which can be associated with any timing differences in settlement. Horcher (2015), cited in xiu Zhu (2017), points out that the risk is often related with foreign exchange trading, where payments indifferent money centers are not made simultaneously and volumes are huge. Terms used in debt control

Debt risk is an investor's risk of arising from a borrower who does not make payments as promised. Such an event is called a default. Another term for debt risk is default risk. Investor losses include lost principal and interest, decreased cash flow, and increased collection costs. Debt risk can be mitigated using risk based pricing, covenants, credit insurance, tightening and diversification (Ross et al, 2018).

Collection policy. There are various policies that an organization should put in place to ensure that credit risk management is done effectively, one of these policies is a collection policy which is needed because all customers do not pay the firms bills in time. Some customers are slow payers while some are non-payers. The collection effort should therefore aim at accelerating collections from slow payers and reducing bad debt losses (Kariuki, 2010).
2.2.0 Financial performance

Sonic writers believe that the performance of any business organization is measured by a number of factors which are both internal and external. They cited factors such as sales turnover caliber of management and ability to meet daily obligations of the business, Abdelrahim, K. E. (2013).

Financial measures are typically derived from or directly related to the chart of accounts and found in a company’s profit and loss statement or balance sheet, such as inventory levels or cash on hand. Brian (2016), remarked that the measurement system for business has been financial -

During the age of exploration, the activities of global trading companies were measured and monitored by accountants’ double entry books of accounts Walter (2013). However, with the information edge, in the early twentieth century, enterprises understood the importance of reporting and evaluating of business unit performances, in order to find new capabilities for competitive success. Kargi, H. S. (2011). In the List decade there has been a growing criticism of traditional measurement control systems as being too narrow focused on financial measures.

Thereason is that conditions today are no longer the same as when traditional measurement systems emerged Evans, (2014).

Chris (2014). Says that there are various indicators of financial performance levels of any given Organization and these include: Survivor and growth, Level of asset turn over, Earnings per share, Creditor’s period, Gross profit margin, Amount of Shareholders wealth, Returns on capital employed, Shareholders returns and profits.

Financial performance is company’s ability to generate new resources, from day-b-day operations over a given period of time, performance is gauged by net income and cash from operations. A portfolio is a collection of investments held by an institution or a private individual Kurawa, J. M. and Garba, S. (2014.)

Financial performance goes hand in hand with the overall performance of employees Centenary bank and its performance is exemplary and impressive, Kithinji, A. M. (2010).

Levis and Traelt (2014), asserted that bank performance can be measured through bank profits, expected operations and meet certain standards of size in terms of employees organ and bertain (2011), asserted that financial performance means the ability of an enterprise to attain its
financial ends or purposes that brought it into existence. They also continued and defined it as a combination of returns on shareholders' investment, growth in size and efficient use of resources.

2.2.1 Profitability:
Profitability is the ability of a company to use its resources to generate revenues in excess of its expenses. In other words, this is a company's capability of generating profits from its operations.

Profitability is the ability of a business to earn a profit. A profit is what is left of the revenue a business generates after it pays all expenses directly related to the generation of the revenue, such as producing a product, and other expenses related to the conduct of the business activities.

There are many different ways for you to analyze profitability. This lesson will focus on profitability ratios, which are a measure of the business's ability to generate revenue compared to the amount of expenses it incurs. Let's look at a few of the primary analytical approaches.

Net Profit Margin

Net profit margin measures the profitability of your business. The formula is:

Net profit margin = (net income / net sales) * 100 (We multiply by 100 to make the result a percentage)

Let's say you have net income of $100,000 and net sales of $1,000,000. What is your net profit margin?

Well, we know net profit margin = (net income / net sales) * 100, so net profit margin must equal $100,000 divided by $1,000,000 times 100.

- \( \frac{100,000}{1,000,000} \times 100 \)
- \( \frac{100,000}{1,000,000} = 0.1 \).
- The net profit margin equals 0.1 times 100.
  - 0.1 * 100
- So the net profit margin in this example is equal to 10%. 

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This means that for every dollar you make in sales, you earn a dime in net income.

**Gross Profit Margin**

Gross profit margin measures the cost of production. The formula is:

\[
\text{Gross profit margin} = \left( \frac{\text{gross profit}}{\text{net sales}} \right) \times 100.
\]

Let's say you have a gross profit of $125,000 and net sales of $3,750,000. What is your gross margin? Gross profit margin = (gross profit / net sales) * 100, so in this example:

- Gross profit margin = ($125,000 / $3,750,000) * 100
- Therefore, the gross profit margin equals 0.03 times 100.
  - 0.03 * 100
- Gross profit margin = 3%

A gross margin of 3% means that out of each dollar you make in sales; you spend a little over 97 cents to produce the product.

**2.2.2 Liquidity**

Liquidity refers to how easily and rapidly an asset can be spent, if so desired. It is a measure of the extent to which a person, organization or entity has cash to meet short-term and immediate obligations. In accounting, it is the ability of current assets to pay for current liabilities. The most liquid asset of all is cash, because it can be 'sold' for goods and services straightaway without any loss of value.

**Liquidity in Accounting and Ratio Definition**

For an individual, company or any organization, liquidity in accounting is a measure of their ability to pay their bills and debts as they come due – on time. Liquidity measures their ability to access money when they need it.

**Liquidity in banking**

In the banking environment, liquidity is a prime concern. In the history of banking, a lack of liquidity has been one of the most common reasons for bank failures.
If a financial institution holds assets in a highly liquid form, it tends to reduce the income from those assets – cash pays no interest.

Consequently, banks always try to reduce liquid assets as much as they can. However, if they do not have sufficient liquidity to meet the demands of their depositors, they risk experiencing a bank run – crowds of people withdraw their money in a panic.

Most banks today try to forecast what their liquidity requirements will be and maintain emergency standby credit arrangements with other banks.

2.2.3. Effectiveness

Effectiveness is the capability of producing a desired result or the ability to produce desired output. When something is deemed effective, it means it has an intended or expected outcome, or produces a deep, vivid impression Longman, Pearson (2011).

Efficacy, efficiency, and effectively are terms that can, in some cases, be interchangeable with the term effectiveness. The word effective is sometimes used in a quantitative way, "being very effective or not very effective". However, neither effectiveness, nor effectively, inform about the direction (positive or negative) and the comparison to a standard of the given effect. Efficacy, on the other hand, is the extent to which a desired effect is achieved; the ability to produce a desired amount of the desired effect, or the success in achieving a given goal. Contrary to the term efficiency, the focus of efficacy is the achievement as such, not the resources spent in achieving the desired effect. Therefore, what is effective is not necessarily efficacious, and what is efficacious is not necessarily. Other synonyms for effectiveness include: clout, capability, success, weight, performance. Antonyms for effectiveness include: uselessness, ineffectiveness, Stands4 Llc, (2011).

2.2.4 Negative Side Effects of Debts

Otherwise, honest people who are in debt have resorted to stealing, cheating, and lying in efforts to hide or eliminate their debt. The feelings it causes, it is enough to drive anyone insane. Those suffering from debit will likely feel a combination of shame, depression, embarrassment, anger, and anxiety. While physical and emotional problems occur out of massive debt, other negative side effects occur as well.
Costs Money. Debt feels free when you're swiping your card or signing loan documents, but it's not free at all. In general, you pay a price for the debt you create. That price comes in the form of interest. The higher the interest rate, the more you’ll end up paying for your debt. Also, the longer it takes you to pay off and the higher your debt load, the more interest you’ll pay.

The only exception is an interest-free loan or zero percent APR credit card promotion, but even that has a limit and can be lost if you default on your payments.

**Bankruptcy.** Although unfortunate, thousands of people daily need to file bankruptcy, seeking protection under the law. There are three types of bankruptcy, though it can be a long, drawn-out, and trying process, sometimes bankruptcy can actually help someone in debt get the relief and start they need to come out of debt once and for all.

**Eviction.** A person in debt may face eviction from their home because they have the inability to pay rent on time each month. Renters who do not pay rent each month will likely find themselves in a situation in which the property owner needs to evict them.

**Wage Garnishment.** To add to the lack of available money each month, creditors may sue and seek a judgment to have your wages garnished. Essentially, the judge has given your employer an order to make the payment directly out of your paycheck to the creditor you owe. This is money you will never even see, because it comes out instantly.

**Foreclosure.** Just as if you had trouble paying rent, if you have trouble paying the mortgage, foreclosure is a real possibility. The trouble with foreclosure is that you lose your home. This is one of the most common problems faced for those with bad debt.

**Emotional Troubles.** Even the happiest of people can find the pressure and embarrassment of debt too much to handle. The press is relentless, it starts with mail and telephone calls from creditors at all hours of the day or night, and then it can lead to losing their possessions, such as their car, apartments, or homes.

**Suicidal Tendencies.** It is a very sad fact that sometimes those suffering from intense debt commit suicide because debt has caused this so many troubles in their lives. Their inability to eliminate their debt drives them to thinking suicide is the only way out.
As you can see, debt can have a real impact on a person's life. The negative effects don't stop there either; debt will remain on the credit rating of the person for at least seven years. Debt comes at an extremely high emotional and financial cost.

Debt starts out as a good thing, allowing us to live the life we may not otherwise be able to live. However, in some cases, it has the ability to take control and negatively influence your life.

2.3 Relationship between debt management and financial performance

The major determinant of any organization's financial performance is debt management Aduda, J. And Gitonga, J. (2011). Research shows that commercial banks using proper and efficient debt management strategies are financially performing far better compared to those employing poor debt management strategies. This therefore means that there is a positive relationship between debt management and financial performance of commercial banks. Adeusi, S. O., Akeke, N. I., Adebisi, O. S. and Olandujioye, O. (2013).

Banks operate in an environment of considerable risks and uncertainty. Bank debts have risk has always been a vicinity of concern not only to bankers but to all in the business world because the risks of a trading not fulfilling his obligations in full on due date can seriously jeopardize the affairs of the other partner. Debt management in banks has become more important not only because of the series of financial crisis that the world has experienced in the recent past but also the introduction of Basel II Accord. The objective of the study was to establish the relationship between debt risk management and profitability in commercial banks in Uganda. Both qualitative and quantitative methods were used in order to fulfill the main purpose of the study.

The main aim of Centenary bank is to operate profitably in order to maintain its stability and improve in growth and expansion. In the last twenty years, the banking sector has faced various challenges that include bad debts, non-performing loans (NFL), and fluctuations of interest rate among others, which have threatened the banks stability.

Shubhasis (2015), debt management is important to bank management because banks are “risk machines” they take risks; they transform them and embed them in banking products and services. Risks are uncertainties resulting in adverse variations of profitability or in losses. Various risks faced by commercial institutions include credit risk, market risks, interest rates risk, liquidity risk, and operational risk.
Various studies conducted have failed to establish any relationship between debt management and profitability in commercial banks in Uganda. The study by Mudiri (2013), had sought to determine debt management techniques applied by financial institutions in Uganda Maina (2013), conducted a survey on risk based capital standards and the riskiness of bank portfolio in Uganda Mwirigi (2016), conducted an assessment of debt risk techniques in commercial banks.

The study by Ngare (2018), was a survey of credit risk management practices by commercial banks in Uganda. While the above research outcome provides valuable insights on credit risk management, they not induced a clear relationship between credit risk management and profitability in Commercial banks.

Given the gaps poised by the above empirical studies, this study poses the research question: “what is the relationship between debt risk management and profitability in commercial banks in Uganda?” The study hypothesizes that commercial banks should demonstrate to improve profitability of the bank after administration of a credit. This hypothesis is based on the argument that commercial banks’ largest credit risk is loans, although that credit risk exists throughout the other activities of the bank both on and off the balance sheet. These other activities include acceptance, inter-bank transactions, trade financing, foreign exchange transactions, futures, swaps, options and guarantees. To answer the above question, the study seeks to establish a relationship between credit risk management and profitability; this will be done by reviewing various profitability measures and in particular the ROE (return on equity) ratio. ROE has an important indicator to measure the profitability of the banks has been discussed extensively. Guo(2015), indicated that the efficiency of banks can be measured by using the ROE which illustrates to what extent banks use reinvested income to generate future plans.

A credit policy helps to define the frame work with in which credit were extended and managed. Hempel, Simonson, and Coleman (2014), stated that there are two credit evaluation systems in relation to banks assessment of loan applications. Judgmental credit analysis which relies on the consumer loan officer’s experience in assessing the loan and empirical credit analysis also referred to as credit scoring which assesses applicants based on scores applied to various
applicant characteristics. Examples of applicant characterizes assessed include age, employment history, performance on loans currently held and types of accounts held (Shubhasis 2015).

Profitability is the primary goal of all business ventures. Without profitability the business will not survive in the long-run. So measuring current and past profitability is very important. Profitability is measured by income and expenses. Income is generated from the activities of the business. A business that is highly profitable has the ability to reward its owners with a large return on the investment Kolapo, T. F., Ayeni, R. K. and Oke, O. (2012).

A profitable banking sector is better able to withstand negative shocks and contribute to the stability of the financial system. Important changes in the operating environment particularly credit risk is likely to affect bank profitability. Empirical analysis finds that both bank-specific as well as macroeconomic factors are important determinants in the profitability of banks Ross, Westerfield, Jordan, & Jaffe, (2017).

A debt policy helps to define framework within which debt will be extended and managed Hempel, Simonson and Coleman (2014), stated that there are two debt evaluation system in relation to financial institution assessment of loan applications, judgmental debt analysis which relies on the consumer loan officer’s experience in assessing the loan and empirical debt analysis also referred to as debt scoring which assesses applicants based on scores applied to various applicant characteristics. Examples of applicant characterizes assessed include age employment history, performance on loans currently held and types of accounts held. (Shubhasis. 2015)

Increasing shareholders’ return epitomizing Centenary bank is one major objectives of micro financial management the objective often comes at the cost of increasing debt risk. Centenary bank face various risks such as bad debts risk, interest risk, market risk, and credit risk. Off balance risk, technology and operational risk, foreign exchange risk, country risk liquidity risk and insolvency risk Kolapo, T. F., Ayeni, R. K. And Oke, O. (2012). Centenary bank motivation for debt management comes from those debt which can lead to micro financial institution under performance. Issues of debt management in banking sector have greater impact not only on the financial institutions but also on economic growth Tandelilin et al (2017).

Tai (2014) includes that some empirical evidence indicates that the past return shocks emanating from banking sector have significant impact not only on the volatiles of foreign exchange and
aggregate stock markets, but also on their prices, suggesting that bank can be a major source of contagion during the crisis. Financial institution which better implement the debt risk may have some advantages (1) it increases their efficiency and performance; (2) it increases their reputation and opportunity to attract more wide customers in building their portfolio of fund resources; (3) it is in line with obedience function toward the rule.

Rupiny, D. (2012.) find evidence that Centenary bank which have advanced in debt management have greater credit availability, rather than reduced debt risk banking system. The greater credit availability leads to the opportunity to increase the productive assets and Centenary bank profit.

Financial performance (profitability) is the primary goal of all business ventures without profitability the business will not survive in the long run, so measuring current and past profitability is very important. Profitability or financial performance is measured by income and expenses. Income is generated from the activities of the business. A business that is highly profitable has the ability to reward its owners with a large return on the investment.

Waweruand Kalani, (2017). Profitable banking sector is better able to withstand negative shocks and contribute to the stability of the financial system important changes in the operating environment particularly debt risk is likely to affect bank profitability. Empirical analysis finds that both bank specific as well as macro-economic factors are important determinants in the profitability of banks.

Rupiny, D. (2012), stated that as pressure mounts on the banking industry’s financial performance resulting from over reliance on interest income by financial institution, it is strategically imperative that financial institutions focus on other revenue streams. National industrial credit bank (NIC) has introduced new products to diversify revenue and to keep its head above the water, they added that part of NIC bank’s strategy has been to diversify revenue, by expanding the scope of its actives in addition to its predominant asset finance focus and offering more general commercial banking facilities and other products premium bouncing and provision of custodial services have reduced over reliance on interest income centenary bank are already harvesting the fruits of prudent risk management practices.
2.4 Factors hindering debt management strategies on financial performance of commercial bank

2.4.1 A government policy

This is a declaration of a government's political activities, plans and intentions relating to a concrete cause or, at the assumption of office, an entire legislative session. In certain countries they are announced by the head of government or a minister of the finance.

The term may apply, corporate privacy policies, and parliamentary rules of order are all examples of policy. Policy differs to government, private sector organizations and groups, as well as individuals. Presidential executive orders from rules or law. While law can compel or prohibit behaviors (e.g. a law requiring the payment of taxes on income), policy merely guides actions toward those that are most likely to achieve a desired outcome. Office, Publications Retrieved 15 April 2018

2.4.2 Behavioral Trait

A behavioral trait is an action commonly observed in individuals throughout a species, such as human beings laughing and smiling or cats grooming themselves. In animals, such traits are generally ascribed to instinct, though they can often be modified. In humans, behavioral traits are often learned rather than instinctive.

Behavioral traits are at the heart of the nature versus nurture controversy debating which human behaviors are inborn and which are learned, according to Citable. It was thought for a long time, for example, that addicts were weak-willed, but more recent science has shown that addicts are often genetically predisposed to addictive behaviors. Today scientists generally agree that human behaviors are made up of complex interactions between socially learned behaviors and inherited behavioral traits.

The human ability to modify behavioral traits through learning has proven to be evolutionarily advantageous. Humans were able to leave the warm climate of African and move into Europe, for instance, because they figured out how to clothe themselves and hunt new animals. Tool-making appears to be an instinctive behavioral trait among primates, but teaching the young how
to make and use tools is a social behavior. Other instinctive human behavioral traits, such as the fight-or-flight response, can be modified in some people but appear to be relatively hard-wired in most. McGue M, Gottesman II (2015).

2.4.3 Norms and Customs

Indeed, the cases I’ve described weren’t, in the end, only about law. They also had everything to do with the norms, or customs, we should consider as we work, play and collaborate in a digital media sphere.

In previous chapters we’ve considered how we should react to things we find online, especially derogatory and even hateful speech, and how we should behave ourselves in our speech. I want to give these issues extra emphasis here. It should go without saying that people shouldn’t use our new media tools for cruel purposes. Given that some will, what kinds of norms can we encourage so that the targets of cruelty can either respond or, better yet, learn to ignore the attacks Panofsky A (2014).
CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction
This chapter contains the research design, sampling design and type, different methods that the researcher will use to collect data from various sources and also to interpret the data so as to come up with a conclusion on his topic of debt management and financial performance of commercial banks.

3.1 The Research design
The researcher adopted a descriptive research design. The design was deemed appropriate because the main interest of the researcher was to explore the viable relationship and describing how the factors support the two variables that are under investigation. The descriptive design method provided quantitative data from cross section of the research design.

3.2 Methods of collecting data
The researcher collected data using administering questionnaires to obtain up-to-date and firsthand information.

3.3 Study population
Sekaran (2010), defined population as basically, the universe of units from which the sample is to be selected. The term ‘Units’ is employed because it is not necessarily people alone who are sampled. It can also be defined as the entire group of people, events, or things of interest that the researcher wishes to investigate. The target population for this study comprised of ten management of financial performance of Centenary bank Kampala branch 20 credit officers, ten banking officers and 20 clients/customers making a total population of 60. It was from these that the sample size was selected.
Table 1: 3.1 population of the sample summary

<table>
<thead>
<tr>
<th>Categories of the population</th>
<th>population size</th>
<th>Sample</th>
<th>Techniques</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>10</td>
<td>6</td>
<td>Simple random</td>
</tr>
<tr>
<td>Credit officers</td>
<td>20</td>
<td>18</td>
<td>Simple random</td>
</tr>
<tr>
<td>Banking officers</td>
<td>10</td>
<td>16</td>
<td>Simple random</td>
</tr>
<tr>
<td>Clients/customers</td>
<td>20</td>
<td>10</td>
<td>Simple random</td>
</tr>
<tr>
<td>Grand total</td>
<td>60</td>
<td>50</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data 2019

3.4 Sample size

This research involved 60 respondents. The sample was selected by the research to be representative of the entire population. This particular sample size was selected because it was easier to manage and it was enough to generate findings as well as to generalize the findings to a bigger population.

The sample size was determined using Slovene’s formula as expressed below;

\[ n = \frac{N}{1 + N(e)^2} \]

Where;

\( n \) = the required sample size

\( N \) = the known population size

\( e \) = the level of significance, which is fixed at 0.05

\[ n = \frac{60}{1 + 60(0.05)^2} \]

\[ n = \frac{60}{1 + 60(0.0025)} \]

\[ n = \frac{60}{1 + 0.195} \]

\[ n = \frac{58.60}{1.195} \]

\[ n = 50 \]
3.5. Sampling procedure
Stratified random sampling was used in the study, the researcher divided the strata's into two that is to say stratum of beneficiaries, and staff members. Each stratum represented a number of members from which the 60 representatives were selected using simple random sampling.

3.6 Study variables
The independent variable was the debt management; the dependent variable was the financial performance of centenary bank of Kampala branch. That is to say, the study was carried out to investigate the effect of debt management on the financial performance of commercial banks.

3.7 Sources of data

3.7.2 Secondary data
This is the data which was already collected by other researchers. That is to say, it is the data already been collected, interpreted, analyzed and processed. This data is obtained from textbooks, Publications, journals, internet, and academic dissertations, brochures.

3.7.1 Primary data
This is the data which is original that is it has not been \worked on that is processed and analyzed. Still so flesh from the field. This kind of data was collected from the management and staff of Centenary bank Uganda (ltd).

3.8. Methods of data collection and instruments.

3.8.1 Questionnaires
The researcher collect data by administering questionnaires where by the respondents had to fill them which guided the researcher to use the responses to make conclusions.

3.8.2 Data collection instruments
Data was collected using different instruments these include; self-administered questionnaires and interview guide.
3.8.3 Self-administered questionnaires

Questionnaires was prepared by the researcher and sent to selected respondents. The researcher comprehensively explained to the respondents the purpose of the study with in the questionnaire. The questionnaires comprised of both structured and unstructured questions. Information was gathered through the use of self- administered questionnaires using a 5 linker scale of strongly agree (A)-I don’t know(E ). Respondents will be given questionnaires and guided on how to fill the questions independently. The forms will be returned after completion (Williams,2013).

3.8.4 Observation

The researcher observed the tickets from the banking institutions that the business operators had pinned in the shelves of the businesses as well as counter books that were being used to record the customers who took goods on credit. However, the observation method were revealed that the respondents never used the counter books to record all the transactions made implying that they have poor records keeping system.

3.8.5 Response rate

Respondents were given two weeks to complete the questionnaires. The researcher submitted 50 questionnaires at Centenary bank Nakasero, Kampala District. However, by the end of the data collection process, 41 questionnaires were returned posing a respondent rate of 82% and non-respondent rate of 18% as shown in the table 2 below. It implied that more than half of the target population participated in the process giving high level of precision to the findings.

3.9 Measurement of Variables

3.9.1 Validity of Instruments

Validity is the efficiency or the degree to which a method, a test or a research tool actually measures what is supposed to be measured. It refers to the accuracy of the research data. For this case, the validity of the questionnaires was tested using the content validity index test (CVI). (Carole, 2013) This involved item analysis to be carried out by the supervisors and an expert who was knowledgeable about the study. This process involved examining each item in the questionnaire to establish whether the items bought out were the ones expected. Item analysis
was conducted using the scale that runs from relevant (R), Neutral (N), to irrelevant (I). The instrument is refined based on experts’ advice. The following formula will be used to test validity index (Carole, 2017).

\[ CVI = \frac{\text{No. of items regarded relevant by judges}}{\text{Total No. of items}} \]

3.9.2 Pre-Testing

Before administering the final questionnaire, the researcher carried out a pilot study to help do a test whether the questionnaire met the standard set of collecting the right information (Osuala, 2015).

3.10 Reliability of Instruments

Reliability means the degree of consistency of the items, the instruments or the extent to which a test, a method, or a tool gives consistent results across a range of settings or when it is administered to the same group on different occasions (Winterstein, 2017).

3.11 Data Validity

Before the final data was analyzed, the collected data was to be re-tested as part of the pilot study to ensure that the right data was made available. Any other missing data was corrected and made ready for final analysis.

3.12 Data Processing and Analysis

The collected data was inputted in software (SPSS) for processing and analysis and interpretations of the results.

After collecting of data, the researcher studied responses from the questionnaires so as to ensure that the information obtained was complete, Consistent, accurate and reliable. Analysis of the data was done using both qualitative and quantitative methods. Descriptive analysis was carried out on the data.
Quantitative data was processed by coding and sorting in order to ensure matching of the data with the study objectives. After this, data was analyzed using the statistical package for social scientists (SSPS) because of its accuracy in statistical data analysis and presentation. Under this system of quantitative analysis, a higher means score will indicate a positive statement meaning that majority of the respondents tended to agree with such a statement and vice versa (Field, 2015). The data was tabulated and collected into percentages and frequency tables.

3.13 Ethical consideration

It was important during the process of research for the researcher to make respondents aware that participation was voluntary and that participants are free to refuse to answer any question and to withdraw from participation at any time they would be chosen.

Another important consideration involved getting the informed consent of those who are going to be met during the research process which involved observations on issues that may be dedicated to some respondents; the researcher undertook to bear this seriously in mind.

Personal privacy and confidentiality are very important since the report was public. If private information has been accessed, the confidentiality has to be maintained Rupiny, D. (2012). All respondents' were therefore re-assured of this before being involved.

Accuracy and honesty during research was very important for academic research to be protected. The researcher should treat the research with utmost care, in that there should be no temptation to cheat and generate research results, since it jeopardizes the concept of research OGBOL, C. and Okallo, K. U. (2013).
CHAPTER FOUR
PRESENTATION OF FINDINGS & INTERPRETATION

4.0 Introduction
This chapter presents the findings of the study on the impact of debt management strategies on financial performance of commercial banks in Uganda. Using Centenary bank Nakasero as a case study.

This chapter covers presentation, analysis and interpretation of the study findings. Data is presented, analyzed and interpreted according to the research objectives. To find out the different debt management strategies used by commercial banks, to examine the financial performance levels of commercial banks and to assess the relationship between debt management and financial performance in commercial banks.

The interpretation of the data is intended to enable the researcher make appropriate conclusions and recommendations for better understanding of the research problem.

This chapter presents and discusses the findings of the study on the impact of debt management strategies on financial performance of commercial banks in Uganda in Centenary bank Nakasero, Kampala District.

A self-administered Questionnaire (Appendix comprising of questions and observation guide were used to collect the data upon which this chapter was based. 50 questionnaire were distributed out of which (41%) were returned. Observation guides were used. Results discussed in this chapter were derived from questionnaire and observation guides. The analysis and interpretation of data in this chapter is in accordance with the four objectives for this study.

4.1 Response rate
A total of 50 questionnaires were issued out. The completed questionnaires were edited for completeness and consistency. Of the 50 Questionnaires used in the sample, 41 were returned. The remaining 9 were not returned. The returned questionnaires "represented a response rate of 82%, which the study considered adequate for analysis as shown in the table below. It implied that more than half the target population participated in the process giving high level of precision to the findings of the study as shown in table 4.1".
Table 2: 4.1: Response rate

<table>
<thead>
<tr>
<th>Questionnaires distributed</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondents</td>
<td>41</td>
<td>82%</td>
</tr>
<tr>
<td>Non response</td>
<td>9</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Primary Data 2019

The feedback received from the pilot study showed that more respondents took time to fill in the questionnaires and the discrepancy of 18% could be caused by the respondents who failed to get time to fill the questionnaires. The 41 who responded to the questioners that were given to them, they went ahead analyzing the debt management strategies that are adopt by Centenary bank which included; cash flow forecasting, operating risk management and the debt records. These strategies have improved on the financial performance of different financial institutions in terms of efficiency, liquidity and effectiveness.

4.1.1 Background Information

Figure 2: 4.1 shows gender of the respondents

Source: Primary Data 2019
Figure 4.2 results indicates that most of the respondents were females with 51% and males are 49%. This indicates that females dominated in the sample. In other words, most of the financial institutions including Centenary bank have adopted tendency of employing more of the females. This indicates that female these days can efficiently handle financial transactions that male. 51% can easily show that there were more female employees to males.

4.1.2 Age of the respondents

Table 3: 4.3: Findings on the age of respondents

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-30 years</td>
<td>4</td>
<td>9.8</td>
<td>9.8</td>
</tr>
<tr>
<td>30-40 years</td>
<td>17</td>
<td>41.5</td>
<td>51.2</td>
</tr>
<tr>
<td>40-50 years</td>
<td>12</td>
<td>29.3</td>
<td>80.5</td>
</tr>
<tr>
<td>50 &amp; above years</td>
<td>8</td>
<td>19.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data 2019

The results are as shown in table 4.2.3. 9.8% of the respondents were of age 20-30 years, 41.5% were between 30-45 years of age, 29.3% were between 40-50 years old and the rest (19.5%) were over 50 years. On average the majority of the employees are between the age brackets of 30-50 years.

This implies that most managers and staff in the sample are in their middle adult age. And this was all seen that employees in this age group can effectively handle well debt risks compered to any age group.

4.1.3 Response on the level of education of the respondents

Here respondents were asked about their highest level of education that is; those with Certificates, Degree, Diploma and others. The results were as follows;

As regards the level of education, 08 (20%) were certificate holders, 17 (41%) were diploma holders, 13 (32%) were degree holders, 02(5%) were masters and 01 (2%) never had any qualification.
Most of the respondents have a diploma 21 (42%) and the minorities were master’s holders. This means that financial institutions should embark on recruiting more of the people with high or advanced skills to handle well all the financially debts that are given to different clients. It is seen that debts or loans would be better to be monitored by employees with masters, and CPA.

4.1.4: Distribution by Marital Status
The respondents were asked to state their marital status.

Source: Primary Data 2019
From 4.5 above 37% of the respondents were not married or were single, and they were between 15-25 years, 46.3% were between 26-60 years of age and married, 7.3% were window/er between 36-45 years old and 10% were over 50 years and separated or divorced. On average the majority of the employees are between the age brackets of 26-60 years because this is the appropriate age group that commercial banks are employing today and they can handle well the financial transactions in respect of proper monitoring of the risk debts.

4.2 To find out the different debt management strategies used by commercial banks.

Table 4: 4.7: Shows the different debt management strategies used by commercial banks.

<table>
<thead>
<tr>
<th>Credit policy formulation</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial banks have adopted different debt management strategies.</td>
<td>21</td>
<td>51</td>
<td>14</td>
<td>34</td>
<td>21</td>
<td>100</td>
</tr>
<tr>
<td>Debt management strategies are of great importance to commercial banks.</td>
<td>24</td>
<td>58</td>
<td>11</td>
<td>27</td>
<td>02</td>
<td>5</td>
</tr>
<tr>
<td>There are factors considered by commercial banks before choosing the debt management strategies to use.</td>
<td>20</td>
<td>49</td>
<td>10</td>
<td>24</td>
<td>02</td>
<td>5</td>
</tr>
<tr>
<td>Debt management strategies are used by commercial banks effectively.</td>
<td>24</td>
<td>58</td>
<td>11</td>
<td>27</td>
<td>02</td>
<td>5</td>
</tr>
<tr>
<td>Debt management strategies safeguard the working capital of commercial banks.</td>
<td>18</td>
<td>44</td>
<td>15</td>
<td>37</td>
<td>03</td>
<td>7</td>
</tr>
<tr>
<td>Debt management strategies are determined by cash flow forecasting, operating risk management and debt records.</td>
<td>24</td>
<td>58</td>
<td>11</td>
<td>27</td>
<td>02</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Primary Data 2019

The study findings on the different debt management strategies used by commercial banks in centenary bank, Nakasero, Kampala District.
The study findings revealed that commercial banks have adopted different debt management strategies as indicated by responses 21(51%) of the respondents strongly agreed, 14(34%) of the respondents agreed while 2(5%) of the respondents disagreed while 4(10%) of the respondents strongly agreed with the findings.

The study findings indicated debt management strategies are of great importance to commercial banks the result revealed that 24(58%) of the respondents strongly agreed, 11(27%) of the respondents agreed while 2(5%) disagreed while 4(10%) of the respondents strongly disagreed according to the respondents.

The study findings revealed that; there are factors considered by commercial banks before choosing the debt management strategies to use which indicated 9(35%) of the respondents strongly agreed, 20(49%) of the respondents agreed, 10(24%) of the respondents who disagreed 6(15%) who strongly disagreed were 5(12%).

The findings revealed that there are many debt management strategies used by commercial banks effectively as indicated by the responses 24(58%) of the respondents strongly agreed while 11(27%) of the respondents agreed while 2(5%) disagreed and 4(10%) strongly disagreed.

The study findings also revealed that debt management strategies safeguards the working capital of commercial banks as indicated by responses 18(44%) of the respondents strongly agreed, 15(37%) of the respondents agreed while 3(7%) disagreed and 3(7%) strongly disagreed.

The study findings also revealed that debt management strategies are determined by cash flow forecasting, operating risk management and debt records as indicated by responses 24(58%) of the respondents strongly agreed, 11(21%) of the respondents agreed while 2(5%) disagreed and 4(10%) strongly disagreed.

On average of different debt management strategies used by commercial banks have a positive effect that the strategies formulated debt management strategies being used by commercial banks in Centenary bank, Nakasero, Kampala District helped in the growth of commercial banks in which affect the credit management of financial institutions staff had the findings over 58% levels of agreement on the areas provided / studied or selected.
According to Kithinji, (2010), rather different debt management strategies used by commercial banks are likely to enhance the effectiveness of debt management strategies are of great importance to commercial banks which help in determining of the cash flow forecasting, operating risk management and debt records.

**What is meant by the term debt management?**

These are the actions or ways of handling the structure of public debts by different commercial banks for the loans that are taken by their customers and by doing this; it promotes profitability, effectiveness and effectiveness on financial performance of commercial banks.

**What are the different categories of debt management strategies?**

Different commercial banks with in Uganda have adopted debt management strategies which include, cash flow forecasting and this is all about estimate of the timing and amounts of cash inflows and outflows over a specific period of time, operational risk management which is a continual cyclic process that include risk assessment and risk decision making. Debt records this is an amount of money borrowed by one party from another.

**What are the main types of bank loans that are given out to borrowers?**

Centenary bank gives out different types of loan to its customers which include, individual loans, business loans, small scale loans, agricultural loans and school fees loan and these are given to customers who above 18 years old.

**4.3 To examine the financial performance levels of commercial banks.**

The second research objective was to examine the financial performance levels of commercial banks. The study was presented based on the findings from the field as presented in the values assessed below.
Table 5: Showing financial performance levels of commercial banks in Centenary bank, Nakasero, Kampala District.

<table>
<thead>
<tr>
<th>Financial Performance</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>f</td>
<td>%</td>
<td>F</td>
<td>%</td>
<td>f</td>
</tr>
<tr>
<td>Financial performance has helped in valuing the effectiveness of commercial banks.</td>
<td>28</td>
<td>68</td>
<td>8</td>
<td>20</td>
<td>01</td>
</tr>
<tr>
<td>Financial performance has both negative and positive effects towards commercial banks.</td>
<td>21</td>
<td>51</td>
<td>14</td>
<td>34</td>
<td>02</td>
</tr>
<tr>
<td>All members are aware on the problems faced during the period of assessing the levels and effectiveness of financial performance</td>
<td>19</td>
<td>46</td>
<td>10</td>
<td>24</td>
<td>4</td>
</tr>
<tr>
<td>There are solutions to the problems faced during the period of assessing the levels and effectiveness of financial performance</td>
<td>23</td>
<td>56</td>
<td>9</td>
<td>22</td>
<td>02</td>
</tr>
<tr>
<td>Most members are aware on the indicators of effective financial performance.</td>
<td>17</td>
<td>41</td>
<td>15</td>
<td>37</td>
<td>3</td>
</tr>
<tr>
<td>Effective financial performance is helpful in the growth of commercial banks.</td>
<td>24</td>
<td>59</td>
<td>12</td>
<td>29</td>
<td>02</td>
</tr>
</tbody>
</table>

Source: Primary Data 2019

The study findings in table 4.7 provided that the results financial performance of commercial banks in Centenary bank, Nakasero, Kampala District.

The findings in the table provided that the importance of financial performance of commercial banks was prevailing.
The findings indicated that financial performance has helped in valuing the effectiveness of commercial banks by responses 28(68%) of the respondents strongly agreed while 8(20%) disagreed while 1(2%) of the respondents disagreed while 4(10%) of the respondents strongly agreed on the study provided.

The study findings also indicated the financial performance has both negative and positive effects towards commercial banks as indicated by responses 21(51%) of the respondents who strongly agreed while 14(34%) of the respondents, 2(5%) of the respondents while 4(10%) of the respondents who strongly disagreed.

The findings revealed that all members are aware on the problems faced during the period of assessing the levels and effectiveness of financial performance as indicated by responses 19(46%) of the respondents strongly agreed, 10(24%) of the respondents agreed while 4(10%) and 8(20%) disagreed and strongly disagreed respectively.

The findings revealed that there are solutions to the problems faced during the period of assessing the levels and effectiveness as indicated by responses 23(56%) of the respondents who strongly agreed, 9 (22%) agreed while 2(5%) disagreed while 7(17%) strongly disagreed in that regard.

The findings revealed that most members are aware on the indicators of effective financial performance as indicated by responses 17(41%) of the respondents who strongly agreed, 15(37%) agreed while (7%) disagreed while 6(15%) strongly disagreed in that regard.

The findings revealed that effective financial performance is helpful in the growth of commercial banks as indicated by responses 24(59%) of the respondents who strongly agreed, 12(29%) agreed while 2(5%) disagreed while 3(7%) strongly disagreed in that regard.

The importance of financial performance of commercial banks indicate that the financial performance has helped in the valuing the effectiveness of commercial banks and have greatly increased overtime by response of 68% and financial performance is helpful in the growth of commercial banks and has greatly increased overtime by 59%.
According to Belinda Stefan (2011), stated that companies are now using financial statements to communicate with its variety of stakeholders which is an improvement from previous one where issues of financial stake holders used to take precedence.

What is meant by the term financial performance?

According to Kurawa, J. M. and Garba, S. (2014) Financial performance is company’s ability to generate new resources, from day-by-day operations over a given period of time, performance is gauged by net income and cash from operations. A portfolio is a collection of investments held by an institution or a private individual.

Levis and Traelt (2014), asserted that bank performance can be measured through bank profits, expected operations and meet certain standards of size in terms of employees organ and bahrain (2011), asserted that financial performance means the ability of an enterprise to attain its financial ends or purposes that brought it into existence. they also continued and defined it as a combination of returns on shareholders’ investment, growth in size and efficient use of resources.

Discuss the levels and effectiveness of financial performance?

According to Longman, Pearson (2011) Financial performance have got both positive and negative levels which among the positive ones include, Profitability and this is the ability of a business to earn a profit.

Liquidity which also refers to how easily and rapidly an asset can be spent, if so desired. It is a measure of the extent to which a person, organization or entity has cash to meet short-term and immediate obligations and Effectiveness.

Effectiveness also refers to the capability of producing a desired result or the ability to produce desired output. When something is deemed effective, it means it has an intended or expected outcome, or produces a deep, vivid impression.
What are the some of the problems faced during the assessment on the levels and effectiveness of financial performance?

**Eviction.** A person in debt may face eviction from their home because they have the inability to pay rent on time each month. Renters who do not pay rent each month will likely find themselves in a situation in which the property owner needs to evict them.

**Emotional Troubles.** Even the happiest of people can find the pressure and embarrassment of debt too much to handle. The press is relentless, it starts with mail and telephone calls from creditors at all hours of the day or night, and then it can lead to losing their possessions, such as their car, apartments, or homes.

**Wage Garnishment.** To add to the lack of available money each month, creditors may sue and seek a judgment to have your wages garnished. Essentially, the judge has given your employer an order to make the payment directly out of your paycheck to the creditor you owe. This is money you will never even see, because it comes out instantly.

**Foreclosure.** Just as if you had trouble paying rent, if you have trouble paying the mortgage, foreclosure is a real possibility. The trouble with foreclosure is that you lose your home. This is one of the most common problems faced for those with bad debt.

**Suicidal Tendencies.** It is a very sad fact that sometimes those suffering from intense debt commit suicide because debt has caused this so many troubles in their lives. Their inability to eliminate their debt drives them to thinking suicide is the only way out.

4.4 To assess the relationship between debt management and financial performance in commercial banks.

The third research objective was to assess the relationship between debt management and financial performance in commercial banks.
The data collected based on the four likert scale is presented and interpreted as provided below.

Table 6: 4.9 showing the relationship between debt management and financial performance in commercial banks.

<table>
<thead>
<tr>
<th>Relationship of debt management strategies on financial performance</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>%</td>
<td>F</td>
<td>%</td>
<td>F</td>
<td>%</td>
<td>F</td>
</tr>
<tr>
<td>The major determinant of any organization’s financial performance is debt management.</td>
<td>18</td>
<td>44</td>
<td>15</td>
<td>37</td>
<td>02</td>
<td>5</td>
</tr>
<tr>
<td>Debt management strategies are affecting the effectiveness and efficiency on the financial performance of commercial banks.</td>
<td>21</td>
<td>51</td>
<td>14</td>
<td>34</td>
<td>00</td>
<td>0</td>
</tr>
<tr>
<td>Government policies have an effect on both debt management strategies and the financial performance of commercial banks.</td>
<td>20</td>
<td>49</td>
<td>10</td>
<td>24</td>
<td>00</td>
<td>0</td>
</tr>
<tr>
<td>Debt management strategies and the financial performance are both determined by behavioral traits and customs or norms of banking institutions.</td>
<td>18</td>
<td>44</td>
<td>7</td>
<td>17</td>
<td>01</td>
<td>2</td>
</tr>
<tr>
<td>Debt management strategies have affected the financial performance of commercial banks.</td>
<td>23</td>
<td>56</td>
<td>9</td>
<td>22</td>
<td>04</td>
<td>10</td>
</tr>
<tr>
<td>Debt management strategies are responsible for the increase in the profitability of commercial banks.</td>
<td>27</td>
<td>66</td>
<td>10</td>
<td>24</td>
<td>00</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Primary Data 2019
Table 4.6 above present’s findings on the relationship between debt management and financial performance in commercial banks.

The major determinant of any organization’s financial performance was debt management according to the findings the 44% of the respondents strongly agreed, 37% agreed while 7% of the respondents disagreed while 7% of the respondents strongly disagreed with the findings of the study.

The findings indicated that debt management strategies are affecting the effectiveness and efficiency on the financial performance of commercial banks as indicated by responses 51% of the respondents who strongly agreed, 34% agreed while 5% disagreed and 10% of the respondents strongly disagreed.

The findings on government policies have an effect on both debt management strategies and the financial performance of commercial banks as indicated by responses 49% of the respondents strongly agreed, 24% agreed with the findings, 12% disagreed while 15% of the respondents strongly disagreed.

The findings indicated that debt management strategies and the financial performance are both determined by behavioral traits and customs or norms of banking institutions as indicated by responses 18(44%) of the respondents who strongly agreed, 7(17%) of the respondents, 6(15%) of the respondents disagreed while 9(22%) of the respondents strongly disagreed.

The study findings also indicated that debt management strategies have affected the financial performance of commercial banks with 23(56%) of the respondents who strongly agreed while 9(22%) of the respondents agreed while 2(5%) of the respondents disagreed and 3(7%) of the respondents strongly disagreed.

The study findings also indicated that Debt management strategies are responsible for the increase in the profitability of commercial banks with 27(66%) of the respondents who strongly agreed while 10(24%) of the respondents agreed while 2(5%) of the respondents disagreed and 2(5%) of the respondents strongly disagreed.
The study findings reveal that the relationship between debt management and financial performance in commercial banks are responsible for the increase in the profitability of commercial banks has generated had a positive effect on the financial management in Centenary bank, Nakasero, Kampala District with 66% of respondents who strongly agreed and 24% agreed. Though majority of the respondents did not comply with what was being analyzed according to the data in the table above.

According to Shubhasis (2015), debt management is important to bank management because banks are “risk machines” they take risks; they transform them and embed them in banking products and services. Risks are uncertainties resulting in adverse variations of profitability or in losses. Various risks faced by commercial institutions include credit risk, market risks, interest rates risk, liquidity risk, and operational risk.

Describe the relationship between debt management strategies and financial performance of commercial banks?

According to Aduda, J. And Gitonga, J.( 2011) The major determinant of any organization’s financial performance is debt management. Research shows that commercial banks using proper and efficient debt management strategies are financially performing far better compared to those employing poor debt management strategies. This therefore means that there is a positive relationship between debt management and financial performance of commercial banks.

Debt management is important to bank management because banks are “risk machines” they take risks; they transform them and embed them in banking products and services. Risks are uncertainties resulting in adverse variations of profitability or in losses.

Financial performance (profitability) is the primary goal of all business ventures without profitability the business will not survive in the long run, so measuring current and past profitability is very important profitability or financial performance is measured by income and expenses.
How do debt management strategies reduce on the level of debt risks by commercial banks?

Commercial banks most especially Centenary bank effectively reduce on the level of debt risking by the use of the founded debt management strategies as discussed below,

Cash flow forecasting and this is all about estimate of the timing and amounts of cash inflows and outflows over a specific period of time. This is so important because of the following reasons. Identify potential shortfalls in cash balances in advance—think of the cash flow forecast as an "early warning system". This is, by far, the most important reason for a cash flow forecast.

Make sure that the business can afford to pay suppliers and employees. Suppliers who don't get paid will soon stop supplying the business; it is even worse if employees are not paid on time.

Spot problems with customer payments—preparing the forecast encourage the business to look at how quickly customers are paying their debts. Note—this is not really a problem for businesses (like retailers) that take most of their sales in cash/credit cards at the point of sale.

Operational risk management which is a continual cyclic process that includes risk assessment and risk decision making. This also include Deliberate risk management is used at routine periods through the implementation of a project or process. Examples include quality assurance, on-the-job training, safety briefs, performance reviews, and safety checks.

Debt records this is an amount of money borrowed by one party from another and here we look at breaking down debt as the most common forms of debt are loans, including mortgages and auto loans, and credit card debt. Under the terms of a loan, the borrower is required to repay the balance of the loan by a certain date, typically several years in the future.

How do debt management strategies enhance the financial performance of commercial banks?

Risk management enhances the financial performance of different financial institutions through improving on profitability and this is the ability of a business to earn a profit.

Debt risk strategies promote liquidity which refers to how easily and rapidly an asset can be spent, if so desired. It is a measure of the extent to which a person, organization or entity has cash to meet short-term and immediate obligations and Effectiveness.
Credit risk management aerates on the effectiveness by commercial banks which also refers to the capability of producing a desired result or the ability to produce desired output. When something is deemed effective, it means it has an intended or expected outcome, or produces a deep, vivid impression.

4.6: Data analysis and findings
With this observation therefore, it is evident that the current credit risk practices employed by the commercial banks are inadequate to militate against credit losses arising from the lending business. This trend also means that there is very high demand for the financial loans as a result of increased membership in these institutions. There has been no change in debt management formulation strategy that would respond to the challenges of lending in a highly competitive lending environment by balancing between high interest income and less of bad loans. All the independent variables were also individually linearly related with the dependent variable thus a model of three predictor variables could be used to rate the financial performance of commercial banks in in Centenary bank, Nakasero, Kampala District.

The study found out that there exist a significant effect between cash flow forecasting, operational risk management and debt records and reporting on the financial performance of cash flow forecasting, operational risk management and debt records and reporting with the key determinants being; credit management formulation on the financial performance.

From the observation, it is evident that the current credit management formulation employed by the commercial banks was inadequate to militate against credit losses arising from the lending business.

This trend also means that there is very high demand for the commercial banks loans as a result of increased membership in these institutions.

There has been no change in credit management formulation strategy that would respond to the challenges of lending in a highly competitive lending environment by balancing between high interest income and bad loans.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1: Introduction
This chapter deals with the summary of findings, conclusions, recommendations and limitations of the study and suggested areas for further study.

5.2: Summary of findings and interpretation
5.2.1 Debt management strategies used by commercial banks.
The findings on the first objective provided average of different debt management strategies used by commercial banks have a positive effect that the strategies formulated debt management strategies being used by commercial banks in Centenary bank, Nakasero, Kampala District helped in the growth of commercial banks in which affect the credit management of financial institutions staff had the findings over 58% levels of agreement on the areas provided / studied or selected.

According to Kithinji, (2010), rather different debt management strategies used by commercial banks are likely to enhance the effectiveness of debt management strategies are of great importance to commercial banks which help in determining of the cash flow forecasting, operating risk management and debt records.

5.2.2 Financial performance levels of commercial banks.
The importance of financial performance of commercial banks indicate that the financial performance has helped in the valuing the effectiveness of commercial banks and have greatly increased overtime by response of 68% and financial performance is helpful in the growth of commercial banks and has greatly increased overtime by 59%

According to Belinda Stefan. (2011), stated that companies are now using financial statements to communicate with its variety of stakeholders which is an improvement from previous one where issues of financial stake holders used to take precedence.

5.2.3 Relationship between debt management and financial performance in commercial banks.
The study findings reveal that the relationship between debt management and financial performance in commercial banks are responsible for the increase in the profitability of
commercial banks has generated had a positive effect on the financial management in Centenary bank, Nakasero, Kampala District with 66% of respondents who strongly agreed and 24% agreed. Though majority of the respondents did not comply with what was being analyzed according to the data in the table above.

According to Belinda Stefan. (2011) stated that companies are now using financial statements to communicate with its variety of stakeholders which is an improvement from previous one where issues of financial stake holders used to take precedence.

5.3: Conclusions

Having gone through this topic it was reasonable to conclude though debt management has improved on its financial performance, enormous efforts have tried to improve on the nature of loan assessment/debt management policies and to prevent bad debts from accumulating by ensuring that they establish strict internal guidelines which ensure that the loan is based on a sound credit analysis and also to establish a long term customer relationship between the bank and its customers. This has been done to enable the bank acquire some considerable valuable information which can be used to assess if the borrower is eligible for a loan in commercial bank.

Concerning the first objective of the study which was to find out the different debt management strategies used by commercial banks. Debt management strategies used by commercial banks have a positive effect that the strategies formulated debt management strategies being used by commercial banks in Centenary bank, Nakasero, Kampala District helped in the growth of commercial banks in which affect the credit management of financial institutions staff had the findings.

If commercial banks have to maximize returns for members funds, guarantee the safety of their saving and remain in competitive lending environment, they must not only have credit risk policies in place but they also need to combine the traditional credit risk management practices with modern methods which will help them cope with the dynamics of the modern day lending and the at the same time have strong credit risk monitoring and control mechanisms Wahlstrom (2009).
On the second objective which was to examine the financial performance levels of commercial banks that effectiveness of commercial banks and have greatly increased overtime that growth of commercial banks and has greatly increased overtime.

For the third objective which was to assess the relationship between debt management and financial performance in commercial banks.

It is evident that if the credit Management practices is sound, the financial performance of financial institutions was to improve. The main aim of Centenary bank was to operate profitably in order to maintain its stability and improve in growth and expansion.

5.4: Recommendations for Policy

Credit management practices employed have a direct impact on the performance of the Centenary bank in terms of non-performing and defaulted loans. This in turn leads to loss if interest income, operating capital loss, reduced Centenary bank profitability and diminishing returns to members.

Therefore, this study can be used by the Ministry of Industrialization (Co-operative development department) to draft a policy paper that would guide the financial institutions authorities in the country on adopting credit risk practices. This would help to minimize loan losses and ensure that the profitability of these financial institutions and their members is safeguarded.

5.5: Limitation of the study

In attaining its objective, the study was limited to Centenary bank, Nakasero, Kampala District. The study was also limited to the degree of precision of the data obtained from the respondents hence it could be prone to shortcomings since it is not verifiable.

Another limitation was the confidentiality of respondents. Some of the respondents considered their savings and loans details to be confidential information hence they could not disclose such information. Others were unwilling to disclose the correct value of their investments.

The third limitation was time. Some respondents were unable to return questionnaire within the given time frame. The researcher had a limited time available for data collection and analysis hence some questionnaires were not returned on time to be considered in the data collection.
5.6 Areas for Further Research

Researchers and scholars should carry out a research to determine the effect of credit management practices employed and the profitability indicators like profitability and liquidity. They can also do more research to establish the effect of other types of risks like market risk which is not considered in this study.

The researchers should find out how deposit taking commercial Banks can strategically position themselves in the market. Researchers and scholars should carry out a research to establish the relationship between the credit management practices employed and the profitability indicators like ROA, NPL/ Total loans. They can also do more research to establish the effect.

More research on the extent to which external regulation, internal supervision and governance contributes to the employment of credit management practices and to the eventual performance of the financial institutions need to be explored.

The study recommends that commercial Banks in Uganda should enhance their cash flow forecasting by adapting a more stringent policy to a lenient policy for effective debt recovery. The study also recommends that there is need for commercial Banks in Uganda to enhance their operational risk management so as to improve their financial performance.

Through Operational risk management, the commercial Banks in Uganda will be able to know credit worth clients and thus reduce their non-performing loans.

There is also need for commercial banks in Uganda to enhance their Debt records and reporting this will help in decreasing default levels as well as their non-performing loans. This will help in improving their financial performance Alshatti, AliSulieman (2015). Larger sample size should also be used for more accurate findings.
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Signoriello Vincent J. (5/5/2013) Concessional Loans, Glossary of Statistical Terms, oecd.org,

Signoriello, Vincent J. (2017-08-06)."Average new-car loan a record 65 months in fourth quarter".


Yang, Shirley Ou; Hsu, Carol; Sarker, Suprateek; Lee, Allen S. (2017)."Enabling Effective
Dear respondent,

I, Balyawo Antony, a student of Kampala International University undertaking a Bachelor's Degree of Business Administration. Currently, am carrying out a research study on the impact of debt management strategies on financial performance of commercial banks; A case study of Centenary Bank as part of the requirements for a ward of Bachelor’s Degree of Business Administration. This questionnaire is therefore intended to seek information on the above subject matter. The information is purely for academic purposes and all the answers will be handled with utmost confidentiality. I therefore humbly request that you complete this questionnaire correctly in the spaces provided or options given. (Please, tick the appropriate answers where options are given).

PART A

GENERAL INFORMATION

SECTION A: Background Information (Tick the box applicable)

This presents the general characteristic of the respondents, these includes sex, age of respondents, educational level and position in the society.

1. Gender
   - Male ☐
   - Female ☐

2. Age
   - 20-30 years ☐
   - 30-40 years ☐
   - 40-50 years ☐
   - 50 & above years ☐
3. Qualification academically

<table>
<thead>
<tr>
<th>Certificate</th>
<th>Diploma</th>
<th>Degree</th>
<th>Masters</th>
</tr>
</thead>
</table>

SECTION B: Debt Management Strategies.

Evaluate the following statement by circling the appropriate response basing on the scale below.

Please do not leave any item unanswered.

<table>
<thead>
<tr>
<th>Code</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Status</td>
<td>Strongly disagree</td>
<td>Disagree</td>
<td>Not sure</td>
<td>Agree</td>
<td>Strongly agree</td>
</tr>
<tr>
<td></td>
<td>1</td>
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</tr>
</tbody>
</table>

**A. Debt management strategies**

1. Commercial banks have adopted different debt management strategies.

2. Debt management strategies are of great importance to commercial banks.

3. There are factors considered by commercial banks before choosing the debt management strategies to use.

4. Debt management strategies are used by commercial banks effectively.

5. Debt management strategies safeguard the working capital of commercial banks.

6. Debt management strategies are determined by cash flow forecasting, operating risk management and debt records.

7. What is meant by the term debt management?

8. What are the different categories of debt management strategies?

9. What are the main types of bank loans that are given out to borrowers?
SECTION C: Effectiveness of Financial Performance

Evaluate the following statement by circling the appropriate response basing on the scale below. Please do not leave any item unanswered.

<table>
<thead>
<tr>
<th>Code</th>
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</thead>
<tbody>
<tr>
<td>Status</td>
<td>Strongly disagree</td>
<td>Disagree</td>
<td>Not sure</td>
<td>Agree</td>
<td>Strongly agree</td>
</tr>
<tr>
<td>1</td>
<td>Financial performance has helped in valuing the effectiveness of commercial banks.</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2</td>
<td>Financial performance has both negative and positive effects towards commercial banks.</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>3</td>
<td>All members are aware on the problems faced during the period of assessing the levels and effectiveness of financial performance.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>There are solutions to the problems faced during the period of assessing the levels and effectiveness of financial performance.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Most members are aware on the indicators of effective financial performance.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Effective financial performance is helpful in the growth of commercial banks.</td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

7. What is meant by the term financial performance?

8. Discuss the levels and effectiveness of financial performance?

9. What are some of the problems faced during the assessment on the levels and effectiveness of financial performance?
SECTION D: Relationship of debt management strategies on financial performance

Evaluate the following statement by circling the appropriate response basing on the scale below. Please do not leave any item unanswered.

<table>
<thead>
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<td>Strongly agree</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

A. Relationship

1. The major determinant of any organization’s financial performance is debt management.

2. Debt management strategies are affecting the effectiveness and efficiency on the financial performance of commercial banks.

3. Government policies have an effect on both debt management strategies and the financial performance of commercial banks.

4. Debt management strategies and the financial performance are both determined by behavioral traits and customs or norms of banking institutions.

5. Debt management strategies have affected the financial performance of commercial banks.

6. Debt management strategies are responsible for the increase in the profitability of commercial banks.

7. Describe the relationship between debt management strategies and financial performance of commercial banks?

8. How do debt management strategies reduce on the level of debt risks by commercial banks?

9. How do debt management strategies enhance the financial performance of commercial banks?
16th/07/2019

Dear Sir/Madam,

RE: INTRODUCTORY LETTER FOR BALYAWO ANTONY 1163-05014-06046

This is to introduce to you the above named student, who is a bonafide student of Kampala International University pursuing a Bachelor’s Degree in Business Administration Accounting and Finance, Third year Second semester.

The purpose of this letter is to request you avail him with all the necessary assistance regarding his research.

TOPIC: - THE IMPACT OF DEBT MANAGEMENT STRATEGIES ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN UGANDA

CASE STUDY: - CENTENARY BANK, NAKASERO BRANCH

Any information shared with him from your organization shall be treated with utmost confidentiality.

We shall be grateful for your positive response.

Yours truly,

DR. JOSEPH D.K. KIRABO
HOD—ACCOUNTING AND FINANCE
0772323344