CREDIT POLICY AND PERFORMANCE OF COMMERCIAL BANKS; A CASE STUDY OF BARCLAYS BANK (U) LTD – KATWE BRANCH.

BY

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A RESEARCH REPORT SUBMITTED TO COLLEGE OF APPLIED ECONOMICS AND MANAGEMENT SCIENCES IN PARTIAL FULFILLMENT OF

THE AWARD OF THE DEGREE OF BACHELOR OF

BUSINESS ADMINISTRATION OF KAMPALA

INTERNATIONAL UNIVERSITY

SEPTEMBER, 2018

DECLARATION

Mwesigwa Rogers do hereby declare that this work is original and has never been bmitted to any other institution for a ward of any Degree or Diploma. Where the work others has been used, reference has been made there of.

WESIGWA ROGERS

ANDIDATE)

153-05014-03037

GNATURE: .... DATE: 18/09/2018.....................................

APPROVAL

This report Titled "Credit Policy and performance of commercial banks; a case study of Barclays Bank (U) Ltd – Katwe Branch." has been submitted by Mwesigwa Rogers for examination with my approval as the University Supervisor, and it's now ready for presentation for the award of a Bachelor of Business Administration of Kampala International University.

MR. RUTARO ABAS
(SUPERVISOR)

SIGNATURE: .... DATE: 18.09.2018......................................

DEDICATION

ɿis work is dedicated to my Mum Mrs. Namara Rhoda for all the sacrifice, patience ɿd commitment inclusive of the challenges you faced in educating and making me ore enlightened. May the Almighty God bless you abundantly?

Also Dedicate This Piece of Work to My Supervisor, Mr Rutaro Abas for providing me ith his professional guidance, encouragement and his time during the research ocess.

astly but not least, I also dedicate this piece of work to the entire staff of Barclays Bank atwe Branch, the staff of Kampala International University especially the college of conomics and Management as well as students that gave me a platform which led to ɿe success of this study.

ACKNOWLEDGEMENT

rst and foremost, I pass a word of thanks to the Heavenly Lord for being there for me ways in my academic career for this success I count on today.

especial way I thank my supervisor Mr. Rutaro Abas, for the ideal and practical ıidance he offered to me to conceptualize and analyze what the research owes me ıd what I owe to it.

y everlasting respect, love as well as my foremost gratitude goes to my father Mr. ugasha Stephen, my mother Mrs. Namara Rhoda, my sister Basiime Edith and my other Mugume Erastus (my soldiers of hope) who have always been by my side for notional, moral, material, academic and financial support. Without you guys this will ever be possible.

also wish to express my especial gratitude to all my friends Jussy, Betty and relatives r all their continuous encouragement and helping to provide required materials for the udy.

thank all my friends in and outside studying circles who have always supported me wards the report evolvement and the entire course.

this special regard I extend special gratitude to the staff of Kampala International niversity (KIU) specifically college of economics and management whose advice and ıpport have been so much instrumental in my pursue of this course.

extend my sincere gratitude to the staff of Barclays Bank Katwe Branch in Kampala istrict for setting aside their valuable time to respond to the requirement of the esearch instruments, which has laid a basic ground for the report compilation.

LIST OF TABLES

LIST OF ACRONYMS

\MEL	Capital Adequacy Management efficiency Liquidity
\PR	Ratio of Capital to Total Assets
MS	Credit Management System
√I	Content Validity Index Test
ᑭS	Earnings per share
	Irrelevant
CR	Minimum Capital Requirement
SSBF	National Survey of Small Business Finance
OA	Return on Assets
ACCOs	Savings and Credit Cooperative Society
ASRA	Sacco Societies Regulatory Authority
BG	Standard Bank Group
DGs	Sustainable Development Goals
PSS	Statistical Package for Social Sciences
SE	Uganda Securities Exchange

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ABSTRACT

ıe study was to establish the relationship between Credit Policies and Performance of ə Commercial Banks at Barclays Bank Katwe Branch. The study was based on three ecific objectives; to establish the relationship between capacity and performance of ımmercial banks. To establish the relationship between collateral and performance of ımmercial banks and to find out the relationship between character and performance commercial banks. It was based on cross sectional survey design basing on the use qualitative and quantitative approaches that was adopted to establish the relationship etween Credit Policies and Performance of the Commercial Banks at Barclays Bank atwe Branch. A random sampling system used in the study. Interviews and uestionnaires were used to collect primary and secondary sources of data from 50 out 60 respondents, using simple random sampling. Data analysis was done using PSS's frequencies and percentage means. Finally the report looked at the study sults and gave the discussion of each finding. Therefore, here, data analysis, ocedures and response rate are focused on. Then the findings conclusions and commendations are presented. The report also showed the work plan for the whole search, the budget as distributed right from the topic inception up to research esentation, the questionnaire and finally the observation guide. According to the ojective one It was noted that, Credit Policy and Performance of Commercial Banks of arclays bank, Katwe Branch. The study findings reveal that; the credit policy ncourage clients to borrow 73% , that is to say, Barclays bank katwe branch limit orrower's capacity from borrowing at 73% more still, it also denies clients to be offered loan because of low capacity to repayment at 73% and thus commercial bank do onduct review on its credit policy at 54% strongly agreed this indicated that the ommercial banks have maintained its standards of Credit Policy and Performance of ommercial Banks of Barclays bank, Katwe branch. According objective two ommercial banks which indicate that the summary finding has significant negative npact of Interest Income to Total assets on the bank's performance thus the ommercial banks benefit from the client's collateral offered by the client at 73% , 73% ommercial bank confiscate presented collateral in case you fail to repay back the loan nd also commercial banks have challenges on client's security offered in securing the ans at the rate of 49 % who strongly agreed this indicates the credit policy and erformance of commercial banks have left people's livelihood in danger that is to say ıany household's properties have been confiscated from people in Barclays Bank atwe Branch.

ccording to objective three about the relationship between character and performance f commercial banks indicates that there is a show a positive impact to clients in that the ient's character of being potential to borrow depend on business size at the rate of 8% who strongly agreed and the client's do their level best to improve their character ith commercial banks at the rate 59% who agreed which indicate that there is a rogress to people who around the place who use this services.We obtained the ndings and analyze the data by use of tables (hypothetical) and charts which helped to resent data and arrive at conclusion and recommendations. This piece of work has een compiled and is presented in a very simple language easy to understand, a lot of ərminologies have been avoided. I therefore welcome you to have a humble time in əading this work. There are new and knowledge building findings in the work, a lot of ıspirations.

CHAPTER ONE

INTRODUCTION

0 Introduction

ıis chapter presents the background of the study, statement of the problem, purpose the study, objectives of the study, research questions, scope, significance of the udy, justification of the study and conceptual frame work.

1 Background of the study

1.1 Historical review

credit policy is an institutional method for analyzing credit requests and its decision iteria for accepting or rejecting applications Craig, R. (2010). A credit policy was an ıportant in the management of accounts receivables. A firm has time flexibility of ıaping credit policy within the confines of its practices. It was therefore a means of ducing high default risk implying that the firm should be discretionary in granting loans hurchill, G. (2010). Policies save time by ensuring that the same issue is not scussed over and over again each time a decision is to be made. This ensures that ecisions are consistent and fair and that people in the same circumstance get treated ı the same manner (Berry, 2010), According to (Nirmal, 2009), credit policy provides a ame work for the entire management practices. Most commercial institutions have ritten credit policies which are the cornerstone of sound credit management, they set bjectives, standards and parameters to guide micro finance officers who grant loans nd manage loan portfolio. The main importance of policies is to ensure operation's onsistency and adherence to uniform sound practices. Policies should always be the ame for all and is the general rule designed to guide each decision, simplifying and stening to each decision making process. A good credit policy involves effective ıitiation analysis, credit monitoring and evaluation. Credit policies are set of objectives, tandards and parameters to guide bank officers who grant loans and manage the loan ortfolio. Thus, they are procedures, guidelines and rules designed to minimize costs ıssociated with credit while maximizing the benefit from it (Ahimbishwe, 2002).The main bjective of credit policy was to have an optimal investment in debtors that minimizes ısts while maximizing benefits hence ensuring profitability and sustainability of icrofinance institutions as commercial institutions. The credit policy of an organization ay be stringent or lenient depending on the manager's regulation of variables. There e three main variables namely credit terms, credit standards and credit procedures ver, 2008): Managers use these variables to evaluate client's credit worthiness, payment period and interest on loan, collection methods and procedures to take in ıse of loan default. A stringent credit policy gave a credit to customers on a highly elective basis.

nly customers who have proven creditworthiness and strong financial base are given ans, the main target of a stringent credit policy is to minimize the cost of collection, ad debts and unnecessary legal costs Dawkin, S. (2010). In many countries when a ıstomer fills out an application for credit from bank, store or credit card Company, their formation is forwarded to credit bureau. The credit bureau matches the name, address nd other identifying information on the credit applicant with information retained by the ıreau in its files that is why it's very important for creditors, lenders, to provide ccurate data to credit bureaus. This information was used by lender such as credit ard Company to determine individual's creditworthiness that is determining an dividual's ability and track records of repaying a debt. The willingness to pay a debt is ıdicated by low timely past payments have been made to other lenders. Lenders like to ee consumer debt obligations paid regularly and on time and therefore focus articularly on missed payments and may not for example consider an over payment as n offset for missed payment. (V.G Manker business economics (2002). If a US onsumer disputes some information in a credit report the credit bureau has 30 days to erify the data. Over 70% of these customers disputes are resolved within 14 days and nen the consumer is notified of the resolution. These factors help lender determine whether to extend credit and what terms will the adoption of risk based pricing on lmost all lending in the financial service industry. This report has become even more nportant since it was usually the sole element used to choose the Annual Percentage Rate (APR) grace period and other contractual obligations of the credit card or loan. Frederick NK (2015)

nancial Performance

nancial performance is company's ability to generate new resources, from day- to-ıy operations, over a given period of time; performance is gauged by net income and ısh from operations. A portfolio is a collection of investments held by an institution or a ivate individual (Apps, 1996). Financial performance can be measured using the llowing repayment rate, portfolio quality ratios, arrears ratio rate, portfolio rate and elinquent borrowers. Repayment rate measures the amount of payment received with spect to the amount due. Portfolio quality ratios; involves the arrears rate portfolio risk ıd the ratio delinquent borrowers. The arrears ratio rate shows how much of the loans ave become due and has not been received. Portfolio rate refers to the outstanding alance of all loans that have an amount due. Delinquent borrowers determine the ımber of borrowers who are delinquent relative to the volume of delinquent loans.

perating and financial ratios have long been used as tools for determining the ondition and the performance of a firm. Modern early warning models for financial stitutions gained popularity when Sinkey (1975) utilized discriminant analysis for entifying and distinguishing problem banks from sound banks and Altman (1977) xamined the savings and loan industry. The CAMELS model (Gasbarro et al., 2002), hich is a financial analysis tool, provides a framework for measuring financial erformance of banks. In Kenya, the Central Bank also applies the

AMEL rating system to assess the soundness of financial institutions which is an cronym for Capital Adequacy, Asset Quality, Management Quality, Earnings and iquidity (CBK, 2010).

.1.2 Theoretical review

.symmetric Information Theory

ellers, usually, do not know the real credit-worthiness of their buyers and also buyers o not have knowledge about goods quality. To solve the first problem, Smith (1997) uggests a model where sellers offer two-part credit terms because they can recognize otential defaults faster than financial intermediaries. Smith also proposed that with symmetric information about product quality, sellers offer trade credit to permit buyers o verify product quality before payment. The reason that leads suppliers to extend this redit is that they have an immense interest in a customer's success, since they expect e client to buy more goods and service from them in the future. Although success of e buyer is important, the quality of the product sold is also crucial, and could etermine new purchases (Deloof and Jegers, 1996).

s a consequence, companies very often offer money-back guarantees as warranties s well.

ade credit has some advantages when compared with money-back guarantees and arranties. First, in a case of money-back or warranties, if the seller is not in business ny more, the buyer can be damaged. Second, when payment is made at the time of ale, a client, seeking the advantages of the money-back system, may try to convince e seller that the quality of the product is not as promised (Wei and Zee, 1997).

ccording to Lee and Stowe (1993) small firms tend to offer more trade credit than large ms, since small firms still have to establish their reputation about product quality. rms with longer production cycles prolong their collection period, since they produce gh-quality goods. Firms selling products whose quality is difficult to measure extend ng credit periods because customers must have enough time to assess quality. ellers of low quality goods may try to pass them off as high-quality goods. In this case, s the cost of extending trade credit increases, these companies will have less incentive cheat on the information on quality.

.1.3 Conceptual review

credit policy is an institutional method for analyzing credit requests and its decision iteria for accepting or rejecting applications.

credit policy is important in the management of accounts receivables.

firm has time flexibility of shaping credit policy within the confines of its practices. It is ierefore a means of reducing high default risk implying that the firm should be iscretionary in granting loans.

inancial performance is company's ability to generate new resources, from day- to-ay operations, over a given period of time; performance is gauged by net income and ash from operations. A portfolio is a collection of investments held by an institution or a rivate individual. Financial performance can be measured using the following payment rate, portfolio quality ratios, arrears ratio rate, portfolio rate and delinquent ɔrrowers. Repayment rate measures the amount of payment received with respect to e amount due. Portfolio quality ratios; involves the arrears rate portfolio risk and the tio delinquent borrowers.

ommercial banks; as financial institutions are expected to transfer resources from ırplus units to deficit units, they mobilize funds from savers and allocate funds to the eficit units based on their ability to pay principle and interest given associated risks. unds are allocated to deficit units taking into account depositor's demand and to create return for the intermediary. For the last number of years, commercial banks have been xperiencing poor loan portfolio and they have resorted into investing in treasury bills.

1.4 Contextual review

arclays Bank of Uganda Limited, commonly known as **Barclays Bank Uganda mited**, is a commercial bank in Uganda. It is licensed by the Bank of Uganda, the entral bank and national banking regulator. The bank is primarily involved in meeting e banking needs of individuals, small and medium-sized businesses (SMEs), and rge corporations. Before 2006, the bank focused on meeting the banking needs of nly large corporations and high-net-worth individuals. That focus was loosened to clude SMEs and regular customers. As of December 2017, the bank's total assets ere valued at UGX: 2.477 trillion (approximately US$668 million), with shareholders' quity of UGX:448.2 billion (approximately US$121 million). At that time, Barclays ganda was the fifth-largest commercial bank, by assets. The bank opened in 1927, ith two branches in the capital city, Kampala, and one in Jinja, the country's second-rgest commercial centre. In 1969, the bank acquired the Ugandan business of the ommercial Bank of Africa. In February 2007, the bank completed its acquisition of Nile ank Uganda Limited, strengthening its presence in the country.

arclays Bank (U) Ltd is a commercial bank in Uganda located in Kampala District. At east Barclays bank employs over 50,000 individuals in Kampala district and almost all f them employ 2-4 people. These commercial institutions are locally owned and ıanaged by private individuals who sometimes employ their family members. These ommercial institutions bear a high interest rate which is effect of credit policies on nancial performance which has led to poor performance. Therefore, it is against this ackground that the researcher undertook the study to investigate more about the oblem using Barclays Bank (U) Ltd as a case study to evaluate the Credit policy and erformance of commercial banks. Its establishment is motivated by the desire to create financial service provider which will touch base with majority of the population in ganda. The need to come up with the institution is out of the realization that most eople lack to access financial services or simply cannot afford them. Rajedom, R. 2010),

.2 Statement of the Problem

ommercial banks challenges include increasing returns to shareholders and such ome at a cost of increases in risks. Insolvency defined by (Saunders & Cornett, 2009) s risk that a Finance Institution may not have enough capital to offset a sudden decline the value of its assets relative to its liabilities, is an ever present reality in commercial anks. The enhanced regulatory framework in the sector is not the panacea for adequacies in the sector. In September 2012 SASRA issued a communication to ACCO's to comply with capital adequacy requirements as set out in (SACCO Society ct, 2008). SASRA developed a web-based electronic submission of financial returns Camels) for objective analysis of the financial returns submitted by the licensed acco's

he study of Owen (2007) found that lack of financial regulation and supervision are the iggest weaknesses of the Sacco system with the major threat to Sacco's being the ompetition from Banks and MFIS. Mwaoama (1976) found that small holder farmers ad limited access to credit and saving facilities because the formal credit institutions ended to consider them high risk customers.

Some commercial banks in Uganda use stringent loan policy thus losing customers to other commercial banks with lenient credit policy, this has led to decline in performance of such bank (Olweny & Shipho, 2011) Therefore, commercial banks frequently suffer rom liquidity shortages and most cases resort to loan rationing, overdraft from banks, esulting in on time repayment being weakened. With time arrears rates have increased, rther deteriorating the liquidity position of the commercial banks. This kind of arrears ·oduces a snow-ball effect that has led to near technical bankruptcy of the institution. ailure to pay back the money given by these commercial banks , it leads to onfiscation of people's property such as land, houses, cars and other properties which as left people homeless and in viscous circles of poverty. (Jacobson, 2003)

.3 Purpose of the Study

he purpose of the study was to establish the relationship between Credit Policies and erformance of the Commercial Banks in Barclays Bank (U) Ltd Katwe Branch.

.4 Objectives of the study.

a. To establish the relationship between capacity and performance of commercial. banks.
b. To establish the relationship between collateral and performance of commercial. banks.
c. To find out the relationship between character and performance of commercial. banks.

.5 Research question

a. What is the relationship between capacity and performance of commercial banks?
b. What is the relationship between collateral and performance of commercial banks?
c. What is the relationship between character and performance of commercial banks?

I.6 Content Scope

Theoretically this study was concerned with the purpose of establishing the impact of credit policies on the performance of commercial banks while specifically focusing on the impact of credit policies on the performance of commercial banks, the factors affecting credit policies in commercial banks and the factors affecting credit decisions in commercial banks.

6.1 Geographical scope

arclays bank (U) Ltd, Katwe Branch Plot 64, Kibugas Road lock 6, Mpigi, Kampala, ganda is a global financial services provider, engaged in retail and commercial anking, credit cards, investment banking, wealth management and investment ianagement services all over the world. With a vast, international reach, Barclays ffers innovative products and services to meet the needs of its diverse base of ıstomers and clients.

.6.2 Time Scope

he study took a period of four months from June to September 2018 through which ross-sectional survey design data wascollected by the researcher using questionnaires nd interviews for proposal writing.

.7 Significance of the Study

he researcher hoped that the findings of this study were to be useful for understanding ıe relationship between credit policies and performance of commercial banks. This ossibly helped bank managers to take necessary managerial adjustments in relation to redit policies.

he researcher also hoped that the study was to be formed as a basis for further esearch on credit policies and performance of commercial banks. This will lead to the eneration of ideas for better understanding of credit policies and performance of ommercial banks especially Barclays bank (U) Ltd, Katwe Branch.

he study was to identify key areas that were to enable commercial banks to minimize he rate of default rate and was to further act as an important element in credit policy erformance of banks.

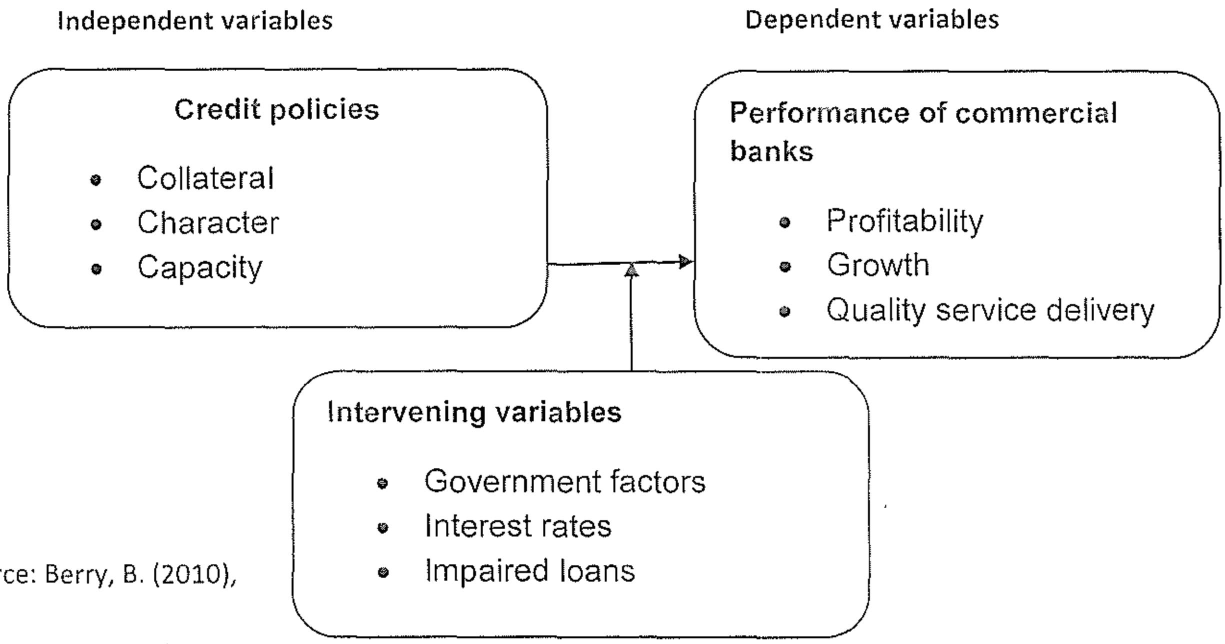
The study also was to point out the need of capital structure in an organization which embeds a good credit policy and hopes to improve the performance of commercial banks.

ıe study equally was to be useful to future researchers with similar interests and the ıdings expected to extend the frontiers of knowledge in the field of finance and ɔcounting.

8 The Conceptual Frame Work

dependent variable credit policies, dependent variables performance of commercial ɜnks.

igure 1: 1.1 shows the conceptual frame work



ırce: Berry, B. (2010),

'he independent variable was perceived as the credit policy whereas the dependent ariable was to be the performance of commercial banks. The professed goal of making erformance of commercial banks was to improve the welfare of people living in Katwe, :ampala District (Berry,2010).The less number of clients of Barclays bank were to ontribute to less profit gained by the business men in Katwe Branch.

Conceptual capacity with high number of people on performance of commercial banks ı Barclays bank was to increase on the profit of the business with the performance of ησproving household income in Katwe area.

'he core reason for Barclays bank to exist was to improve on the standards of living of he people and as a result, their investments increase.

CHAPTER TWO
LITERATURE REVIEW

0 Introduction

his chapter looks at the impact of credit policy on the performance of commercial anks: a case study of Barclays bank (U) Ltd, Katwe Branch in Uganda particularly ampala city. It consists of existing literature on credit policy by different cholars/research studies from magazines, text books, journals and newspapers.

.1 Theoretical review

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ellers, usually, do not know the real credit-worthiness of their buyers and also buyers o not have knowledge about goods quality. To solve the first problem, Smith (1997) uggests a model where sellers offer two-part credit terms because they can recognize otential defaults faster than financial intermediaries. Smith also proposed that with symmetric information about product quality, sellers offer trade credit to permit buyers verify product quality before payment. The reason that leads suppliers to extend this redit is that they have an immense interest in a customer's success, since they expect e client to buy more goods and service from them in the future. Although success of e buyer is important, the quality of the product sold is also crucial, and could etermine new purchases (Deloof and Jegers, 1996).

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Most financial institutions have written credit policies which are the cornerstone of sound credit management, they set objectives, standards and parameters to guide micro finance officers who grant loans and manage loan portfolio. The main importance of policies is to ensure operation's consistency and adherence to uniform sound practices. Policies should always be the same for all and is the general rule designed to guide each decision, simplifying and listening to each decision making process. A good credit policy involves effective initiation analysis, credit monitoring and evaluation. Credit policies are set of objectives, standards and parameters to guide bank officers who grant loans and manage the loan portfolio. Thus, they are procedures, guidelines and rules designed to minimize costs associated with credit while maximizing the benefit from it Omara, M. (2007).The main objective of credit policy is to have an optimal investment in debtors that minimizes costs while maximizing benefits hence ensuring profitability and sustainability of microfinance institutions as commercial institutions. The credit policy of an organization may be stringent or lenient depending on the manager's ɡulation of variables. There are three main variables namely credit terms, credit andards and credit procedures Nirmal, X. (2009), Managers use these variables to valuate clients credit worthiness ,repayment period and interest on loan, collection iethods and procedures to take in case of loan default. A stringent credit policy gives edit to customers on a highly selective basis. Only customers who have proven editworthiness and strong financial base are given loans, the main target of a stringent redit policy is to minimize the cost of collection, bad debts and unnecessary legal costs Pandey, 2001)

inancial performance is company's ability to generate new resources, from day- to-ay operations, over a given period of time; performance is gauged by net income and ash from operations. A portfolio is a collection of investments held by an institution or a rivate individual Opio, M. (2010). Financial performance can be measured using the ollowing repayment rate, portfolio quality ratios, arrears ratio rate, portfolio rate and lelinquent borrowers. Repayment rate measures the amount of payment received with espect to the amount due. Portfolio quality ratios; involves the arrears rate portfolio risk ind the ratio delinquent borrowers. The arrears ratio rate shows how much of the loans iave become due and has not been received. Portfolio rate refers to the outstanding alance of all loans that have an amount due. Delinquent borrowers determine the iumber of borrowers who are delinquent relative to the volume of delinquent loans.

Commercial banks; as financial institutions are expected to transfer resources from surplus units to deficit units, they mobilize funds from savers and allocate funds to the deficit units based on their ability to pay principle and interest given associated risks. Funds are allocated to deficit units taking into account depositor's demand and to create a return for the intermediary. For the last number of years, commercial banks have been experiencing poor loan portfolio and they have resorted into investing in treasury bills. As reported in the bank of Uganda annual report 1999/2000, credit to the private sector reduced significantly to 9.2% relative to 29.9% in the previous year which reflected the cautious lending by banks. There were no creditworthy borrowers for commercial banks to invest surplus funds at an attractive interest rate, consequently commercial banks cash reserves have been raising.

.2.1Credit Standards and Analysis

ccording to Foundation of financial management, 10th Edition (1999) by Stanley B. lock and Geoffrey A. Hurt, (2002) page 186-190; Credit standards refer to financial trength and creditworthiness a customer must exhibit in order to qualify for credit. It is a asic stage in lending process. It's a process by which the financial institutions establish ıe credit worthiness of a customer. It involves the appraisal of customers to identify ossible risks in lending as well as establishing the customers capacity to repay the ɔan. The successful credit standards and analysis will require the use of the standard redit application form looking for characters, which indicate the possibility of risk and ther relevant information for credit analysis. Setting credit standards requires a ıeasurement of credit quality which is defined in terms of the probability of a ustomer's default. The probability estimate for a given customer is for the most part a ubjective judgment.

:redit Terms

\ Credit term is a contractual stipulation under which a firm grants credit to customers Wamasembe, 2002) furthermore, these terms give the credit period and the credit limit. The firm should make terms more attractive to act as an incentive to clients without ncurring unnecessary high levels of bad debts and increasing organizations risk. Credit erms normally stipulate the credit period, interest rate, method of calculating interest and frequency of loan installments. It is evaluated by the position of the client as ndicated by the ratio analysis, trends in cash flow and looking at capital position (Christen & Rosenberg, 2000). Maturity of a loan, this is the time period it takes a loan :o mature with the interest there on. Cost of loan, by understanding the borrower, the risk premium can be ascertained and the profit erosion from bad debts can be decreased hence increasing bank performance.

Collection policy

According to Rajedom, R. (2010), financial management theory and practice, 4th Edition Collection policy refers to the procedures the banks or firms use to collect past dues ccounts or receivable. A collection policy is needed because all customers do not pay ie firm bills in time. Some customers are slow payers while others are not payers. The ollection efforts should therefore aim at accelerating collection from slow pay and educing bad debt losses. The firm's collection policy is measured by its toughness or xity in following up slow paying accounts. Attaining a high rate of loan collection was a ecessary condition for a commercial bank to become self-sustainable, losses have een the largest cost borne by banks and the principal causes of insolvency and in quidity. This emphasize the fact that loans not paid decreases the funds available to nd, make it difficult to assure sale deposits and to attract savings, absorb scarce narginal time, undermine the financial integrity of the lender and tarnish the itermediary's reputation. When an individual does not pay loan, the process of creating ebt capacity is reserved and repayment capacity destroyed. Rajedom, R. (2010),

.2.2 Consumer Bank Credit

luelle P. Henry (1976) Credit doctrine for the lending office, New York Citicorp defines redit policy as a tool that provides framework for the entire credit management rocess. A credit policy or Credit Management System (CMS) is aimed at optimizing the fficiency of credit management of commercial banks and other related credit nstitutions. The banks must gain an acceptable level of confidence to extend the loans acilities at the lowest possible risk of loss since the bank's funds are committed for eturns.

rom Barclays bank (U) Ltd, Katwe Branch credit operation manual Director Report and ccounts (2005); Credit management system specifically supports credit assessment nd analysis, loan disbursement and credit monitoring. Also credit policy guides loan or redit officers in balancing quality and quantity in support of the bank's earnings bjectives. It ensures consistent approach to credits and a uniform lending style. (Credit loctrine for lending office (2007) According to introduction to financial management, hird Edition, by Lawrence D. Schall and Charles W. Haley page 518; Customer ttributes that credit managers base their evaluations on the risk in extending risk on heir assessments of the attributes of particular customers. This can be seen in 5 C's' at is Character, capacity, collateral, capital and conditions. (Lawrence D. Schall & harles W. Haley (2000)

2.3 Importance of Credit

ccording to Ssenoga Richard (2001) designing and delivering a saving product for ıicro finance institutions in Uganda, the micro finance banker, volume 9 No. 2, page 5- ; The principal function of credit in commercial banks is to transfer the property from ıose who own it to those who wish to use it, as in the granting of loans by banks to ıdividuals who plan to initiate or expand their business venture. The transfer is ɜmporary and is made for a price known as interest which varies with the risk involved nd also with the demand for and supply of credit.

.3 Capacity and performance of commercial banks

;apacity refers to ability to repay a loan and how much debt you can comfortably andle. Commercial banks need to be able to determine whether you can afford to pay ff your loan, commercial banks look to see if you have been working consistently in a ɔb that is likely to provide enough income to support your borrowing. Past income and mployment history are good indicators of your ability to repay. Income streams are nalyzed along with any other obligations that could interfere with repayment. ;ommercial banks used the debt-to-income ratio to measure Show likely you are to ɘpay the loan. They want to know what your monthly income is and any supplementary ıcome from bonuses, dividends or rental income. The debt to income ratio is calculated ıy summing up all your existing monthly debts such as your rent or mortgage payments, ;ar loan payments, or credit card payments including the monthly payment for item 'ou're trying to finance. This total number is then divided by your income. Most banks vould be uncomfortable if more than 35% to 40% of your income is spent on debt ;ervicing. Schmittlen, M. (2010), most commercial banks have stipulated minimum 'equirements for loan application, the more you earn in a year, the more qualified you ıre likely to be. But even if are a high income earner, if your debts are equally large, enders may hesitate to lend you more money. Capacity to repay was the most critical of :he five factors of lending. It is the primary source of repayment cash. The prospective nder wanted to know exactly how you intend to repay the loan; the lender considered e cash flow from business, the timing of the repayment and the probability of uccessful repayment of the loan. Payment history on the existing credit relationship, ersonal or commercial is considered an indicator of future repayment performance. otential lenders also will want to know about other possible sources of the repayment. Vells Fargo (1999-2015)

fficient management is another most important factor behind the Performance of all anks. Management efficiency of the bank includes its administrative ability to react in iverse circumstances. The term management efficiency involves the capability of anagement in generating business and maximizing profits. A focal term 'administrative roficiency', which essentially indicates the capacity of a bank to increase benefits or inimize costs under given situations. With increased competition in the Pakistani anking sector, the efficiency and effectiveness become the rule as banks constantly trive to improve the productivity of their employees. Presently the banks have extended eir working hours. By the use of latest technology banks have improved their perating system. Management efficiency is a useful for the bank performance. Above ll it is a qualitative factor which is applicable to institutions individually or can jointly use s an indicator of management efficiency. Expense ratio, earnings per employee, loan ize and cost of unit per lent money is used as an alternate of the management fficiency. By the use of technology they are able to provide quick service in a short me, so now they are attracting customers and compete with each other on the basis of uickly and comfortably.

dmin expenses to interest income ratio: The expenses that an organization incurs ot directly tied to a specific function such as manufacturing/production or sales. These xpenses are related to the organization as a whole as opposed to an individual epartment; also referred to as "administrative cost."(Investopedia) De B (2012)

Overhead expenses also include selling & administrative expenses are those expenses hat are incurred whether the firm produces any revenues or not". The common concept that a high Cost Income Ratio is equal to low productivity and low efficiency. Karim ates that larger banks tend to be more cost efficient. Bhatt P, Sumangala JK (2012)

dministrative expenses as percentage of total assets have a negative impact on bank erformance. The negative sign shows that the lack of ability in expense management banks. If administrative costs are managed properly, if expenses, increase it will crease the interest margin of the banks and raise income. The coefficient sign which is egative shows that banks are incapable to pass its expenses to customers because of ie competition. (Silviana, 2013)

elated to the cost to operate a business and are not directly attributable to the roduction of goods or services. The Administrative expenses are linked to the business s a whole. It is not assigned to the individual section as a complete. These xpenditures are essential costs which are associated with the administrative, clerical, nd overall functions of the corporate. Rent of the building, utilities or salaries of the mployees are the type of administrative expenses and these are not involved in roduction of goods. These expenses incurred in controlling and directing as a usiness, but cannot be easily identified with the financing, marketing or production perations. The salaries of top level management (executive cost of services) an xample of managerial expenditure. Admin overheads usually include the costs, which ffer a wide benefit to the business. Cost of utilities is the most common example of dministrative expenses. (Olweny, 2011)

iross advances to total deposit ratio: Gross advance amount means the sum ayable to the payee or for the payee's account as consideration for a transfer of tructured settlement payment rights before any reductions for transfer expenses or ther deductions to be made from such consideration. The aggregate estimation of rivate home loan credits progressed by social orders in the period, including advances or house buyers, further advances, remortgages and so on. (Williams, 2015)

commonly used statistic for assessing a bank's liquidity by dividing the banks total oans by its total deposits. This number, also known as the limited ratio, is expressed as percentage. If the ratio is too high, it means that banks might not have enough liquidity cover any un-foreseen fund requirements; if the ratio is too low, banks may not be ɜrning as much as they could be (Investopedia).Operation ineffectiveness is also ɔsitive and significantly related to loan-to-deposit spreads banks with higher costs ɔparently tend to operate with higher margins. Saleem Q, Rehman RU (2011) the ɔefficient to the loan-to-deposit ratio (L/D) carries a positive sign and is statistically gnificant in all of the specific expense items equations and it is significant at the one ercent level in the overall expense equation.

.4 Collateral and performance of commercial banks

n lending agreements, collateral is the borrower's pledge of specific property to the nder to secure repayment of a loan. The collateral serves as protection for commercial anks against the borrower's default that is, it can be used to offset the loan to any orrower failing to pay the principle and interest under the terms of loan obligation if the orrower does default on a loan (due to insolvency or other events that the borrower rfeits (gives up) the property pledged as collateral with the lender then becoming the wner of the collateral. In the typical mortgage loan transactions, for instance, the real state being acquired with the help loan serves as collateral. Should the borrower fail to ay the loan under the mortgage loan agreement, the ownership of real estate is ansferred to the bank. The bank uses the legal process of foreclosure to obtain real state from a borrower who defaults on mortgage loan obligation; a pawnbroker is an asy and common example of business that may accept wide range of items as ollateral rather than accepting only cash. (Riach, 2010),

.4.1 Concept of collateral

ollateral, especially with in banking, traditionally refers to secured lending (also known s asset based lending) more complex collateralization arrangements may be used to ecure trade transactions (also known as capital market collateralization). The item that s used as collateral provides security to the lender to help ensure that they pay the loan n full. The former often presents unilateral obligation secured inform of property, ecurity, guarantee or other collateral (originally denoted by the term security) whereas e latter often presents bilateral obligation secured by more liquid assets such as cash · securities often known as margin. (Narvanjas, 2009),

4.2 Marketable collateral

his is the exchange of financial assets such as stock and bonds, for loan between nancial institution and borrower. To be deemed marketable collateral, assets must be apable of being sold under normal market conditions with reasonable promptness at urrent fair market value. Conditions are based upon transactions in an auction or imilarly available bid, or ask market price. For national banks to accept borrowers loan roposal, collateral must be equal or greater than 100% of the loan or create extension mount. The banks total outstanding loans and credit extension to one borrower may xceed 15% of the bank's capital and surplus an additional 10% of bank's capital and urplus. (Thorstern, 2010);

Reduction of collateral value is the primary risk in securing loans with marketable ollateral. Financial institutions closely monitor the market value of any financial asset ield as collateral and take appropriate action if the value subsequently decline below he predetermined maximum loam to value ration the permitted actions are generally pecified in a loan agreement or margin agreement. (Joan F. banks and their customers and Steven M % (Sheffrin, 2003) economics principles)

2.4.3 Collateral plays an important role in many models of bank behavior.

Besanko, 1987), building on the exante screening model by (Stiglitz, 1981), interpret collateral as a signal which allows a bank to solve the adverse selection problem nherent in debt financing under asymmetric information. In a model with two types of projects, high and low risk, a separating equilibrium is shown to exist. Low-risk borrowers generally choose contracts with a high level of collateral. High-risk borrowers, in contrast, prefer to have loans with no collateral. The signaling models thus predict a negative correlation between loan risk and collateral.

Note that the signaling model is concerned with the pre-contractual stage. Once the contract has been concluded, however, the informational problem is resolved in rinciple, and the economic function of collateral in a multi-period, dynamic setting ɘmains to be explored.

ι second class of models focuses on the ex post monitoring function of banks. Bester 1994) develops a model of debt renegotiation that predicts a positive correlation ·etween default risk and collateralization. In this model, a creditor cannot distinguish ·etween strategic default (i.e. the borrower is cheating), and default due to a bad state ealization of the world. Therefore, the provision of (outside 2) Collateral will reduce the lebtor's incentive for strategic default. In a mode with inside collateral, (Winton,995) ınalyze the case in which the collateralization decision of an inside bank can be ›bserved by less informed outsiders thereby transforming private information on ›orrower quality into public information. The inside bank will be compensated for the ›xternality by a more senior debt position. Since the lender tends to collateralize loans vith high risk borrowers, there is again a positive association between risk and collateral mplied. Finally, the prediction of a positive correlation between project risk and ;ollateral corresponds to conventional wisdom in banking, which views collateral as a neans to lower the risk exposure of a bank.

The incidence of collateral, as well as the extent of collateralization, is an increasing 'unction of borrower default risk

Ve now turn to the role of relationship lending as a determinant of the collateral decision.

Boot/Thakor (1994) develops a model of relationship lending as an infinitely repeated moral hazard game. Loan contract terms, notably the interest rate and collateralization, are determined simultaneously. Collateral, which is outside collateral in this model, is a binary ("all or nothing") variable. In the relationship equilibrium, for borrowers without a positive track record, the bank charges high interest rates and requires the provision of collateral. After privately observing the success of the borrower, the bank is willing to lower the interest rate and is no longer requiring collateral. This leads to a negative association between relationship intensity and collateral.

ı a seminal study, Berger/Udell (1990) empirically analyzed the risk-collateral elationship. They used data from the 1988 "Survey of Bank Lending Terms" in the US nd found a consistently positive relationship between risk and collateral. The authors se two alternative proxies for credit risk. The first is the fraction of borrowers with non-erforming loans of each of their sample banks, i.e. an ex post measure for borrower uality. The drawback of this risk proxy is that the analysis is not on the level of ıdividual borrowers but on an aggregate bank level. Their second risk proxy is the ıark-up of contracted interest rates on loans over a risk-free reference rate. This is an ıdirect and potentially biased measure of exante risk since the spread is determined by everal factors of which a borrower's default risk is only one (see Harhoff /Körting 1998) & Elsas/Krahnen (1998) for empirical details).

Berger/Udell (1995) extends this analysis to aspects of relationship lending and the inancing of small firms by using data from the 1988 "National Survey of Small Business Finance".

They use balance sheet ratios (e.g. leverage, profit margin) as risk proxies and duration as a proxy for relationship intensity. The authors claim that their findings support a positive risk collateral correlation, though leverage is the only significant explanatory variable out of eight risk measures. Duration, as it turns out, has a significant negative coefficient, thereby implying decreasing collateral requirements for more intensive bank-borrower relationships.

Furthermore, all of these empirical findings with respect to relationship lending are based on the interpretation of duration as an adequate measure for relationship lending. This assumes that duration is to some extent associated with information intensity. Recent empirical evidence disputes the validity of this assumption. Ongena/Smith (1997) finds no significant influence of contract duration on the likelihood of relationship termination for the Norwegian market. This finding is not consistent with the idea of a lock-in effect for debtors with a strong relationship, unless duration is no measure for relationship intensity. (Wendel,2003). Find no significant difference in the mean contract duration between their subsamples of house bank and non-house bank relationships. Additionally, duration is not significant in either of the authors' regressions, though

:lsas/Krahnen find evidence for distinct behavior by relationship lenders as providers of quidity insurance.

.5 Character and performance of commercial banks

:haracter is the general impression you make on the prospective lender or investor. 'he lender formed a subjective opinion as whether or not you are sufficiently trustworthy ɔ repay the loan or generate a return on funds invested in your company. Your ducational background and experience in business and in your industry was onsidered. The quality of your references and the background and experience level of 'our employees also reviewed. (Rajedom, 2010)

:.5.1 Assessing client character as a potential business borrower

'he weight given to lender's assessment of borrower's character can vary between ending institutions and between individual lending officers. Many small businesses ıave found more success "selling" their reputation and good character to smaller ommunity banks that may be more directly affected by the economic health of the sounding community.

- ✓ To ensure you're selling yourself well to your lender we have complied the most important steps to follow;
- ✓ Improving your character in front of your lenders. As a general rule the following traits are considered the most important when the bank consider your character.
- ✓ Successful prior business experience
- ✓ An existing or past relationship with the lender (e.g. prior credit or depositor relationship).
- ✓ References from professionals (accountant, lawyers, and business advisors) who have reviewed your proposal.
- ✓ Community involvement
- ✓ Evidence of your care and effort in the business planning process.

Many bankers consider the amount of investment the owners themselves are committing to the business as evidence of borrowers "character" on top of that, many ommercial lenders want the owner to finance 25 percent to 50 percent of the projected ost of startup business or new project. If your investment is considered insignificant, a ender may consider it a lack of both owner confidence and deduction to the business. Strategiccfo.comlwikicfo/5-cs of credit policy)

he world of business is not an exact science where decisions are always carefully alculated. Many decisions are based on a level of trust between individuals, honestly etween two parties often gives a boast to a good business partnership. In this case of ack of trust, business relation becomes extremely difficult and offers go nowhere.

he same rule applies when banks are lending money. The first element in importance vhen they evaluate a potential client is the character of the borrower, that is to say, the uality of management and their will to reimburse. A business that has good dministration with good reputation was an easier time to exchange with banks and ave access to credit. After all, on a medium and long-term, accompany that is passing hrough a rough time but is managed by a competent administration has a better hance to succeed than a successful company managed by unqualified people. The haracter of a borrower also integrates the year of experience references of other usiness partners, advertising, employee turnover history (for example was there any raud?) and the ethical code. Moira, E.(2010), This qualitative element is the first step or a business relationship and goes in front of any quantitative data. Rajedom, R. 2010)

CHAPTER THREE
RESEARCH METHODOLOGY

.0 Introduction

'or this research to be effective, research design, data collection, study area and .nalysis was used to arrange the information in such a way that enabled the researcher ɔ come up with the reliable recommendations and conclusions. The following are the nethodologies to be employed starting with the research design, study population, ampling design, research instruments, and analysis of data.

;.1 Research Design

'he researcher used a descriptive survey research design basing on the use of ualitative and quantitative approaches that will be adopted to establish the relationship etween Credit Policies and Performance of the Commercial Banks at Barclays bank U) Ltd, Katwe Branch Kampala branch Muganda, 0.& Mugenda. (2003). This design vill be used for profiling, defining, segmentation, estimating, predicting, and examining issociative relationships. A descriptive survey research design studies easily will be ısed in providing a quick snapshot of what's going on with the variables for the research roblem. A random sampling system used in the study.

;.2 Study Population

Due to poor performance of some indigenous banks in Uganda and out of 100 espondents who includes managers, accountants, tellers, supervisors and other authorized employees a survey was used to carry out research with loans and credit offers of Barclays bank (U) Ltd, Katwe Branch to relate their views with the credit policy and the performance of the banks. The study was conducted only in Kampala district area.

3.3 Study Population

According to Denscombe (2008), a population is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated. The target population for this study comprised of 10 managers of Barclays bank Katwe Branch of Kampala district, 20 credit officers, 10 banking officers' and 20 clients/ customers making a total population of 60. It will be from these that the sample size will be selected.

Table 1: 3.1 Representing sample population in percentages

Categories of the population	Population size	Sample	Techniques
Managers	5	6	Simple random
Loan officers	7	6	Simple random
Credit officer	10	12	Simple random
Credit rating officer	18	10	Simple random
Clients	20	16	
Total	60	50	

Source: Primary Data 2018

3.4 Sampling

3.4.1 Sampling design

The study mainly used a simple random sampling methodology.

3.4.2 Sample size

The study involved 60 respondents. This sample size was assumed by the researcher to be representative enough of the entire population.

By using Solver's Formula.

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

Where;

n = the required sample size

N = the known population size

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

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

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

Where;

n = the required sample size

N = the known population size

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

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

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

$$n=\frac{60}{1+0.195}$$

$$n=\frac{60}{1.195}$$

$$n=50$$

3.5 Data collection method

To obtain data about the research variables, primary and secondary data source was used as elaborated below. The researcher applied the use of self-administered questionnaires. Kothari, C. (2014).

Primary: This involved use of firsthand information obtained from the field using interviews and questionnaires. The type of data included social- demographic characteristics of the respondents (age, gender, level of education etc) and perception of solid waste management.

Secondary: This included the already existing literature about the credit policies and performance of commercial banks. This information was collected from reports, circulars, newspapers, magazines and internet.

6 Data Collection Instruments

6.1 Questionnaires Method

ata was collected by the use of structured questionnaires designed by the researcher. he questionnaires were sent to the department heads, staff and other subordinate :aff. This technique was used because all the respondents were literate. The major dvantage of this method included; free of biased information and enough time for the espondent to consider his points carefully than in an interview.

.6.2 Interviewing Method

nterviews with the target respondents were conducted to interview all categories of espondents mentioned above. Separate interview will be used for the key informants. 'his involved first making appointment with the targeted respondents after which an nterview meeting between the researcher and respondents to discuss the issues oncerning credit policies and performance of commercial banks. (Creeewell, 2011).

.7 Measurement of variables

.7.1 Validity of instruments

/alidity is the efficiency or the degree to which a method, a test or a research tool actually neasures what is supposed to be measured. It refers to the accuracy of the research data. For his case, the validity of the questionnaires was tested using the Content Validity Index Test CVI). (Carole, 2008) This involved item analysis to be carried out by the supervisors and an expert who is knowledgeable about the theme of the study. This process involved examining each item in the questionnaire to establish whether the items bought out what is expected to be brought out. Item analysis was conducted using the scale that runs from relevant (R), Neutral (N), to irrelevant (I).

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

41/50 x 100 = 82%

;.7.2 Pre-testing

n order to ensure and maintain a high level of consistency in this study, the researcher ised the following: A questionnaire will be pre-tested. An ambiguous question which vas made clear and irrelevant was to be deleted. The researcher used an accurate juestion which was open-ended and closed ended questionnaires. The questions to be ;et have to have enough space to give appropriate response.

;.7.3 Reliability of instruments

Reliability means the degree of consistency of the items, the instruments or the extent o which a test, a method, or a tool gives consistent results across a range of settings or vhen it will be administered to the same group on different occasions. The reliability of esearch questionnaire was tested for its internal consistency to measure research variables. (Winterstein, 2008)

;.7.4 Data validity

An introduction letter was obtained from the College of Economics and Management to solicit approval to conduct the study from respective departments in Barclays bank Katwe Branch. When approved the researcher secured a list of the qualified espondents from the bank authorities in charge and selected through systematic andom sampling from this list to arrive at the minimum sample size. (Almut, 2008)

3.8 Data processing and Analysis

Data collected was edited 'and analyzed by using percentages, tables and graphs and simple statistical modules like the central tendency, frequency distribution to assess the effects of Credit policy and performance of commercial banks. Quantitative data analysis was performed in relation to research question. Statistical findings were nterpreted in light of the objectives of study and conclusion was made based on the iterature review to attach more meaning. This was done to determine the response rate, qualitative and quantitative form of analysis was administered. Field, A. (2005)

;.9 Ethical considerations

t was important during the process of research for the researcher to make respondents o understand that participation was voluntary and that participants were free to refuse o answer any question and to withdraw from participation at any time they were :hosen.

\nother important consideration, involving getting the informed consent of those going o be met during the research process which involved interviews and observations on ssues that were delicate to some respondents; the researcher was undertaken to bear :his seriously in mind. Accuracy and honesty during the research was very important for academic research to be protected.

Personal confidentiality and privacy was very important since the report was public. If individuals have been used to provide information, it will be important for their privacy to be respected. If private information has been accessed then confidentiality will be maintained (Stephen, 2002). All respondents were therefore, re-assured of this before being involved.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESEARCH FINDINGS

4.0 Introduction

The chapter involves presentation, analysis and interpretation of the study results. Data presented, analyzed and interpreted according to the research objectives. It is presented in the form of tables and figures basing on the responses got from the study respondents that were selected during the process of data collection.

The discussion of findings has been arranged in accordance with demographic characteristics of respondents' and objectives of the study as were formulated in chapter one of this report. The findings were from both primary and secondary sources. The findings are presented in the gist of the three objectives that the study was set to achieve; to establish the relationship between capacity and performance of commercial banks, to establish the relationship between collateral and performance of commercial banks, to find out the relationship between character and performance of commercial banks.

The analysis is based on the objectives of the study and the presentation and the interpretation done with the help of tables, pie charts and narrative text as follows;

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

Questionnaires distributed	Frequency	Percentage
Respondents	41	82%
Non response	9	18%
Total	**50**	**100**

Source: Primary Data 2018

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.

4.2 Background characteristics of the respondents

These include age, sex, education level and marital status. Findings on the age of the respondents revealed the following information/results.

4.3 Age of the respondents

Table 3: 4.2: Findings on the age of respondents

Response	Frequency	Percentage
20-30	17	41%
30-40	18	44%
40-50	4	10%
50 and above	2	5%
Total	**41**	**100**

Source: Primary source 2018

Table 4.2 above, 41% of the respondents range between 20-30 years, 44% were between 30-40 years, 10 % were between 40-50 years while 10% were above 50 years. This meant that most of the small scale businesses were operated by people who were between 30-40 years.

4.4 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;

Table 4: 4.3: Findings on the level of education

Level of education	Frequency	Percentage
None	4	10%
Certificate	7	17 %
Diploma	10	24%
Degree	16	39%
Masters	4	10%
Total		100

Source: Primary source 2018

Table 4.3 above, 10% had not attained any level of education, 17% had certificates, 24% had diplomas, and 39. % had acquired degrees while 10% had completed other levels of education like professional accreditations such as CPA (U). This means that the majority of respondents were literate and able to understand and internalize the contents of the questionnaires distributed to them.

4.5 Findings on the gender of respondents

Here respondents were asked their gender whether male or female and the following results were obtained.

Table 5: 4.4: Shows gender of respondents

Gender	Frequency	Percentage
Male	30	73%
Female	11	27%
Total	41	100

Source: Primary source 2018

From table 4.4 majority of the respondents, 73% were male while 27% were female. This means that most of the performance of commercial banks at Barclays Bank Katwe Branch was operated by male.

4.6 Findings on the marital status of the respondents

Here respondents were asked if they were married, single, separated widow and the results were as follows;

Table 6: 4.5: Shows marital status of the respondents

Marital status	**Frequency**	**Percentage**
Single	4	10%
Separated	12	29%
Married	16	39%
Widow	9	22%
Total	**41**	**100**

Source: Primary Source 2018

Table 4.5 above 10% was single, 29% were separated, and 39% were married while 22% were widowed. This implies that most of the performance of commercial banks at Barclays bank Katwe Branch were operated by married people, widowed and separated. This finding is related to the pressing domestic responsibilities that compel people to find out avenues of funding for their families including opening up performance of commercial banks at Barclays bank Katwe Branch.

Table 7 : 4.6 shows Occupation of the respondents

Occupation of the respondents	**Frequency**	**Percentage**
Loan officer	14	34%
Credit officer	20	49%
Credit rating officer	2	5%
Managers	4	10%
Total	**41**	**100**

Source: Primary Source 2018

Table 4.6, above, 34% was loan officers, 49% were Credit officer, and 5% were Credit rating officer while 10% were Managers. This implies that most of the performance of commercial banks at Barclays bank Katwe branch was operated by credit officers. This finding is related to the pressing field responsibilities that compel people to find out avenues of funding for their employees including opening up performance of commercial banks at Barclays bank Katwe branch.

4.7 To establish the relationship between capacity and performance of commercial banks.

The first research objective was to establish the relationship between capacity and performance of commercial banks. The data collected based on the four likert scale is presented and interpreted as provided below.

Table 8: 4.7 To establish the relationship between capacity and performance of commercial banks.

ıpacity and ·rformance of ·mmercial banks	Strongly Agree		Agree		Disagree		Strongly Disagree		Total	
ıestions to bank	F	%	F	%	F	%	F	%	F	%
›es the policy limit ·rrower's capacity from ·rrowing?	30	**73**	6	**15**	4	10	1	2	41	**100**
› the commercial banks nsider the client's pacity and reliability of ›an repayment?	20	**49**	10	**24**	7	17	4	10	41	**100**
›es the credit policy ıcourage clients to ›rrow?	30	**73**	4	**10**	4	10	3	7	41	**100**
›es Barclays bank, ıtwe branch conduct view on its credit policy?	22	**54**	13	**32**	3	7	3	7	41	**100**
ıestions to the clients										
›ve you ever been ›nied to be offered a loan ›cause of low capacity to pay?	30	**73**	4	**10**	4	10	3	7	41	**100**
›es commercial bank .ow you to obtain credit ›en if you have no ıpacity?	15	**37**	10	**24**	5	12	11	27	41	**100**

Source: Primary Data 2018

Table 4.7 above present's findings to establish the relationship between capacity and performance of commercial banks. The table presents information regarding the establish the relationship between capacity and performance of commercial banks at Barclays bank, Katwe branch. The data collected was based on the Likert scale of strongly agreed, agreed, disagreed and strongly disagreed. The table presented a mechanism to establish the relationship between capacity and performance of commercial banks at Barclays bank, Katwe branch.

Concerning the relationship between capacity and performance of commercial banks according to the findings indicated credit policy encourage clients to borrow were 73% of the respondents strongly agreed, Does the policy limit borrower's capacity from borrowing were also 73% strongly agreed this indicated that is progress in the capacity and performance of commercial banks at Barclays bank, Katwe branch.

The findings indicated that does the policy limit borrower's capacity from borrowing as indicated by responses 73% of the respondents who strongly agreed, 15% agreed while 10% disagreed and 2% of the respondents strongly disagreed.

The findings represented that; do the commercial banks consider the client's capacity and reliability of loan repayment as indicated by responses 49% of the respondents strongly agreed, 24% agreed with the findings, 17% disagreed while 10% of the respondents strongly disagreed.

The findings indicated that; Does the credit policy encourage clients to borrow as indicated by responses 30(73%) of the respondents who strongly agreed, 4(10%) of the respondents, 4(10%) of the respondents disagreed while 3(7%) of the respondents strongly disagreed.

The study findings also indicated that; Does Barclays bank, Katwe branch conduct review on its credit policy with 22(54%) of the respondents who strongly agreed while 13(32%) of the respondents agreed while 3(7%) of the respondents disagreed and 3(7%) of the respondents strongly disagreed.

The study findings revealed that have you ever been denied to be offered a loan because of low capacity to repay. The results reveal that 30(73%) of the respondents strongly agreed, 4(10%) agreed, 4(10%) of the respondents disagreed while 3(7%) of the respondents strongly agreed.

The study findings also indicated that; Does commercial bank allow you to obtain credit even if you have no capacity with 15(37%) of the respondents who strongly agreed while 10(24%) of the respondents agreed while 5(12%) of the respondents disagreed and 11(27%) of the respondents strongly disagreed.

4.8 To establish the relationship between collateral and performance of commercial banks

The second research objective was to establish the relationship between collateral and performance of commercial banks. The study was presented based on the findings from the field as presented in the values assessed below.

Table 9:4.8Shows the relationship between collateral and performance of commercial banks.

Collateral and Performance Of Commercial Banks	Strongly Agree		Agree		Disagree		Strongly Disagree		Total	
Questions to bank	f	%	f	%	f	%	f	%	f	%
Do clients have collateral for securing loans?	29	**71**	9	**22**	2	**5**	1	**2**	41	**100**
Does the commercial banks benefit from the client's collateral offered?	30	**73**	4	**10**	4	**10**	3	7	41	**100**
Do commercial banks have challenges on client's security offer?	20	**49**	10	**24**	7	**17**	4	**10**	41	**100**
Do commercial banks take customer's collateral when they fail to pay back in time?	30	**73**	6	**15**	4	**10**	1	**2**	41	100
Questions to clients										
Does commercial bank confiscate presented collateral in case you fail to repay back the loan?	30	**73**	6	**15**	4	**10**	1	**2**	41	100
Have you ever presented any of your collateral to commercial banks before you were offered credit?	22	**54**	13	**32**	3	**7**	3	**7**	41	100

Source: Primary Data 2018

The study findings in table 4.8 provided relationship between collateral and performance of commercial bank at Barclays bank, Katwe branch. The findings in the table provided that the importance of financial management was prevailing.

The findings indicated that Do clients have collateral for securing loans by responses 29 (71%) of the respondents strongly agreed while 9(22%) disagreed while 2(5%) of the respondents of disagreed while 1(2%) of the respondents strongly agreed on the study provided.

The study findings also indicated the Does the commercial banks benefit from the client's collateral offered as indicated by responses 30(73%) of the respondents who strongly agreed while 4(10%) of the respondents, 4(10%) of the respondents while 3(7%) of the respondents who strongly disagreed.

The findings revealed that Do commercial banks have challenges on client's security offer as indicated by responses 20(49%) of the respondents strongly agreed, 10(24%) of the respondents agreed while 7(17%) and 4(10%) disagreed and strongly disagreed respectively.

The findings revealed that; Do commercial banks take customer's collateral when they fail to pay back in time as indicated by responses 30(73%) of the respondents who strongly agreed, 6(15%) agreed while 4(10%) disagreed while 1(2%) strongly disagreed in that regard.

The findings revealed that Does commercial bank confiscate presented collateral in case you fail to repay back the loan as indicated by responses 30(73%) of the respondents who strongly agreed, 6(15%) agreed while 4(10%) disagreed while 1(2%) strongly disagreed in that regard.

The findings revealed that Have you ever presented any of your collateral to commercial banks before you were offered credit as indicated by responses 22(54%) of the respondents who strongly agreed, 13(32%) agreed while 3(7%) disagreed while 3(7%) strongly disagreed in that regard.

The importance of Credit policy and performance of commercial banks at Barclays bank, Katwe branch show a negative impact on the relationship between commercial banks at Barclays bank, Katwe branch that commercial banks benefit from the client's collateral offered by the client at 73% , 73% commercial bank confiscate presented collateral in case you fail to repay back the loan and also do commercial banks have challenges on client's security offer at the rate of 49 % who strongly agreed this indicates the credit policy and performance of commercial banks have left people's livelihood in danger that is to say many household's properties have been confiscated from people in Barclays bank, Katwe branch when people fail to pay back the money given to them and interests on that money and this is caused by failure of the banking institutions such as Barclays bank, Katwe branch to monitor programmes and businesses that people are going to invest in money or even failing to know what people are to use the money for. This leads to confiscation of people's property such as land, houses, cars and other properties which has left people homeless and in viscous circles of poverty. Kareta, B.(2010)

There is a significant negative impact of Interest Income to Total Assets Ratio on the Bank's performance. The present study shows that the way in which collateral influences performance depends on the prevalence of bank monitoring initiatives. Where there is an absence of monitoring activities, the disciplinary effect may imply that entrepreneurs take less risk when bank contracts include the provision of collateral. When monitoring activities are in place, the lazy bank effect can overcome the disciplinary effect. Our first observation is that land mortgages are the only collateral to have a significant effect on performance, which means that the issue of collateral incentives might be particularly critical for farming and especially for activities which require a significant investment in land.

4.9To find out the relationship between character and performance of commercial banks.

The third research objective was to find out the relationship between character and performance of commercial banks. The data collected from the field presents findings that can be interpreted as follows.

Table 10:4.9: Shows the relationship between character and performance of commercial banks.

haracter and erformance of ommercial banks	Strongly Agree		Agree		Disagree		Strongly Disagree		Total	
uestions to bank	F	%	F	%	F	%	F	%	F	%
oes a customer character fect commercial bank perations?	21	**51**	14	**34**	02	**5**	04	**10**	41	**100**
oes client's character of eing potential to borrow epend on business size?	28	**68**	8	**20**	01	**2**	04	**10**	41	**100**
o client do their level best improve their character ith commercial banks?	24	**59**	12	**29**	02	**5**	03	**7**	41	**100**
o commercial banks assess ient's character as a otential business borrower?	19	**46**	10	**24**	4	**10**	8	**20**	41	**100**
uestions to clients										
an commercial banks offer ou credit even if you have ad character towards payment?	17	**41**	15	**37**	3	**7**	6	**15**	41	**100**
oes commercial bank sses your character epending on success of ior business experience?	21	**51**	14	**34**	02	**5**	04	**10**	41	**100**

Source: Primary Data 2018

The study findings on the relationship between internal controls and financial management.

The study findings revealed does a customer character affect commercial bank operations 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 that; does client's character of being potential to borrow depend on business size. The result revealed that 28(68%) of the respondents strongly agreed, 8(20%) of the respondents agreed while 1(2%) disagreed while 4(10%) of the respondents strongly disagreed according to the respondents.

The study findings revealed do client do their level best to improve their character with commercial banks which indicated 24(59%) of the respondents strongly agreed, 12(29%) of the respondents agreed, 2(5%) of the respondents who disagreed and finally 3(7%) who strongly disagreed.

The findings that; Do commercial banks assess client's character as a potential business borrower as indicated by the responses 19(46%) of the respondents strongly agreed while 10(24%) of the respondents agreed while 4(10%) disagreed and 8(20%) strongly disagreed.

The study findings also revealed questions to client that can commercial banks offer you credit even if you have bad character towards repayment by responses 17(41%) of the respondents strongly agreed, 15(37%) of the respondents agreed while 3 (7%) disagreed and 6(15%) strongly disagreed.

The study findings also revealed that does commercial bank asses your character depending on success of prior business experience as indicated by responses 21(51%) of the respondents strongly agreed, 14(34%) of the respondents agreed while 2(5%) disagreed and 4(10%) strongly disagreed.

The findings on the relationship between character and performance of commercial banks at Barclays bank, Katwe Branch show a positive impact to clients in that client do their level best to improve their character with commercial banks at the rate of 59% who strongly agreed and the client's character of being potential to borrow depend on business size at the rate of 51% who agreed which indicate that there is a progress to people who around the place who use this services.

4.10 Regression Analysis

4.10.1: Correlation Analysis

Two predictor variable are said to be correlated if their coefficient of correlations is greater than 0.5. In such a situation one of the variables must be dropped or removed from the model. It was noted that, none of the predictor variables had coefficient of correlation between themselves more than 0.5 hence all of them were included in the model. The matrix also indicated high correlation between the response and predictor variables, that is, credit analysis and client appraisal contribution to performance of the SACCOs with the highest correlation (Chigbu, 2012).

Table 11.4.10: Pearson correlation coefficients

	Performance of Commercial Banks	Capacity and performance of commercial	Collateral and performance of commercial	Character and performance of commercial
Financial performance of Commercial Banks	1.000	.0551	.710	.614
Capacity and performance of commercial	.0551	1.000	.288	.233
Collateral and performance of commercial	.710	.288	1.000	.317
Character and performance of commercial	.614	.233	.317	1.000

Source: Primary Data 2018

4.10.3 Strength of the Model

Analysis in table 4.10 shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R2 equals 0.789, that is, Capacity and performance of commercial, Collateral and performance of commercial, Character and performance of commercial influence on the performance OF Commercial banks explain 78.9 percent of SACCOs leaving only 21.1 percent unexplained. The P- value of 0.000 (Less than 0.05) implies that the model of performance is significant at the 5 percent significance. (Chow, 1960).

Table 12: 4.11 model summary

R	R Square	Adjusted R square	Std. Error of the Estimate	Change statistics				
				R Square Change	F Change	df1	df2	Sig.F Change
.888(a)	.789	.776	.51038	.789	1.242	4	37	.000

Source: Primary Data 2018

Predictors: (Constant), Capacity, Collateral, and Character. Dependent Variable: performance of commercial banks.

Table 13: 4.12 ANOVA

	Sum of squares	df	Mean square	F	Sig
Regression	21.772	5	4.354	4.201	.004[a]
	36.277	36	1.036		
	58.049	41			

Source: Primary Data 2018

ANOVA findings in table 4.11 shows that there is correlation between the predictor's variables (Capacity, Collateral, and Character) and response variable (performance of commercial banks)

Table 14: 4.13 Coefficient of regression equation

		Unstandardized coefficients		Standardized coefficients	t	Sig
		B	Std. Error	Beta		
(Constant)		1.808	.527		3.428	.002
Capacity	X_1	1.353	.470	1.409	2.878	.007
Collateral	X_2	.661	.312	.775	2.117	.041
Character	X_3	.035	016	.037	2.160	.004

Source: Primary Data 2018

The Dependent Variable is performance of commercial banks. The independent variable is credit policy ; Capacity, Collateral, and Character.

The established multiple linear regression equation becomes:

$Y = 1.808 + 1.353x_1 + 0.661x_2 + 0.035x_3 + 0.975x_4$

Elasticity

Constant = 1.808, shows that if Capacity, Collateral, and Character and credit policy formulation influence on the performance of the commercial banks were all rated as zero, performance of the commercial banks rating would be 1.808

X1= 1.353, shows that one unit change in credit policy formulation results in 1.353 units increase in performance of the commercial banks

X2= 0.661, shows that one unit change in credit monitoring report results in 0.661 units increase in performance of commercial banks.

X3= 0.035, shows that one unit change in credit policies results in 0.035 units increase in performance of commercial banks.

4.11 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 mitigate 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 policy 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 performance of commercial banks in the Barclays bank Katwe Branch Kampala District.

The study found out that there exist a significant effect between Capacity, Collateral, and Character and credit policy formulation influence on the performance of commercial banks with the key determinants being; credit policy formulation on the financial performance.

From the observation, it is evident that the current credit policy formulation employed by the commercial banks is 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 policy 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

;.0 Introduction

This concluding chapter of the dissertation presented the key findings of the research based on the discussions and interpretations on both the surveys and the management interviews. Previous chapters have detailed the research question, extant literature, research methods, results, and discussions. While the linkage of the results and academic literature were discussed in the previous chapter, this chapter focuses on some limitations to the research and further nuances that have to be studied and addressed (Carihis Ademba 2011) Despite these limitations, the conclusions from this research are sufficiently robust to draw some strong lessons for the guidance of management involved in these projects and these implications are also discussed in this chapter. It also presents recommendations for further research.

5.1 Summary of findings

Objective one

The findings on the first objective provided to establish the relationship between capacity and performance of commercial banks. It was noted that, Credit Policy and Performance of Commercial Banks of Barclays bank, Katwe Branch. The study findings reveal that; the credit policy encourage clients to borrow 73% , that is to say, Barclays bank katwe branch limit borrower's capacity from borrowing at 73% more still, it also denies clients to be offered a loan because of low capacity to repayment at 73% and thus commercial bank do conduct review on its credit policy at 54% strongly agreed this indicated that the commercial banks have maintained its standards of Credit Policy and Performance of Commercial Banks of Barclays bank, Katwe branch. Capacity of the borrower to repay the debt is also very crucial thing to be considered. Before granting or extending any advance, creditor should evaluate the borrower's capacity.

In case of capital adequacy, asset quality and earnings & profitability, most of the studies showed these variables were positive and negative, but significantly related to the bank's performance, whereas studies on the relationship between capacity and performance of commercial banks showed a positive and significant relationship with the bank's performance.

Objective two

The second research objectives was to establish the relationship between collateral and performance of commercial banks which indicate that the summary finding has significant negative impact of Interest Income to Total assets on the bank's performance thus the commercial banks benefit from the client's collateral offered by the client at 73% , 73% commercial bank confiscate presented collateral in case you fail to repay back the loan and also commercial banks have challenges on client's security offered in securing the loans at the rate of 49 % who strongly agreed this indicates the credit policy and performance of commercial banks have left people's livelihood in danger that is to say many household's properties have been confiscated from people in Barclays Bank Katwe Branch when people fail to pay back the money given to them and interests on that money and this is caused by failure of the banking institutions such as Barclays Bank Katwe Branch to monitor programmes and businesses that people are going to invest in money or even failing to know what people are to use the money for. This leads to confiscation of people's property such as land, houses, cars and other properties which has left people homeless and in viscous circles of poverty. Kareta, B. (2010)

Lending is the most important function of the bank and profitable as well. On the contrary it is a risky business too. Loans always have the credit risk. So a banker should manage the loan business in a profitable and safe manner. While considering a loan proposal, certain general principles of lending should be kept in mind that can help establishing some credit standards. Dell. Ariccia, G. and R. Marquez, (2006).

Objective three

The finding on the third research objective was to find out the relationship between character and performance of commercial banks.

The "character" means the reputation of the prospective borrower. This includes certain moral and mental qualities of integrity, fairness, responsibility, trust worthiness, industry, etc. The honesty and integrity of the borrowers is of primary importance. So, credit character should be judged on the basis of applicant's performance in bad times. Cole, R.A., Goldberg, L.G. & White, L.J. (2004).

The summary findings on the relationship between character and performance of commercial banks at Barclays Bank Katwe Branch show a positive impact to clients in that the client's character of being potential to borrow depend on business size at the rate of 68% who strongly agreed and the client's do their level best to improve their character with commercial banks at the rate 59% who agreed which indicate that there is a progress to people who around the place who use this services. The study sought to investigate impact of borrower character, and loan repayment. In general, the study looked at the effect of borrower character on loan repayment in banks in Barclays Bank Katwe Branch. In particular, the study examined relationships between the study variables borrower character on loan repayment. Nguyen, C.H. (2007).

5.2 Conclusion

In accordance with the first objective of the study which was to establish the relationship between capacity and performance of commercial banks. It has policy limit borrower's capacity from borrowing and it denies clients to be offered loans when their aptitudeness of payment is low. That is to say, the borrower to repay the debts is also a very crucial thing to be considered.

In accordance with the second objective of the study which was to establish the relationship between collateral and performance of commercial banks which indicate that the summary finding has significant negative impact of Interest Income to Total assets on the bank's performance thus the commercial banks benefit from peoples collateral as assets to the bank when they fail to pay in time the researcher concluded that indeed challenges of confiscation of people's property such as land, houses, cars and other properties which has left people homeless and in viscous circles of poverty. Kareta, B.(2010) Generally, banks relate their credit limits to the security offered by their clients mostly without assessment of overall financial position of the borrower through cash flow analysis.

In accordance with the third research objective was to find out the relationship between character and performance of commercial banks. This indicates that there is positive relationship between character and performance of commercial banks. That is to say, there is a good atmosphere of customers' willingness to do their level best to improve their character with commercial banks before they get loans from these banks depending on the business size.

5.3 Recommendations

According to the first objective of the study which was to establish the relationship between capacity and performance of commercial banks. Commercial banks should first look at the aptitude and reliability of loan repayment and it policy measures for customers' ability before it issues loans to its customers in order to reduce the negative impact of confiscation of people's property such as land, houses, cars and other properties which have left people homeless and in viscous circles of poverty.

According to the second objective of the study which was to establish the relationship between collateral and performance of commercial banks. Commercial banks should depend mostly on the indemnity of the customer's before issuing loans to clients and that the collateral should be of benefit from client's collateral offered. In order for commercial banks to avoid a challenges on clients security offered to be confiscated because the aim of these commercial banks according to SDGs of the monetary policy is to end poverty in all its forms everywhere by the year 2015 to 2030 are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. *UNDP.* Retrieved 28 September 2015.

According to the third research objective which was to find out the relationship between character and performance of commercial banks should consider the personality of clients before it declares a potential business borrower and it should also assess the character of clients depending on the success of prior business experience before it ssues loans to their clients that means there is need of deploying more field officers to do more survey on its clients who come to these banks to acquire loans. Rajedom, R. (2010)

Annual review: Every loan account should be revised annually. A borrower makes lending decision on certain assumptions. So, it is necessary to hold those as good throughout the continuance of the advances. Annual review provides an insight view of the borrower's general and financial conditions.

Banks should finance on the basis of a total study of the borrower's operations rather than only security considerations.

The borrowers should be asked to arrange for long-term funds to replace bank borrowing.

Company's hard core part of the working capital with a strong financial position should be separated and put on a formal term-loan basis for a repayment schedule.

Application cum-acknowledgment form of banks should be comprehensive to include rate of interest, manner of charging interest, process fees and other charges, panel interest rates, pre-payment options, and any other matter which effects the interest of the borrower, so that a meaningful comparison with that of other banks can be made and informed decision can be taken by the borrower.

5.4 Areas for Further Research

There is further research that needs to be done on this research to find out how the credit policies are implemented to the organizations. This will help to explain if the financial performance is affect with the implementation of the credit policy to the organizations.

There also a large percentage of other factors that affects financial performance of deposit taking SACCOs which should be put into consideration since this research show that credit policy have a minimal impact on performance of commercial banks. Therefore the other factors should be researched on.

This study suggest further research on deposit taking SACCOs to strategically place themselves in the market so as to be able to increase their financial performance and be able to be highly operation since even if they have a good credit policy there are other many factors affecting them. The researchers should find out how deposit taking SACCOs can strategically position themselves in the market.

Research should also be done on other financial institutions apart from Barclays Bank Katwe branch, Kampala branch that deal with giving out loans and have credit policies since Barclays Bank Katwe branch is just a part of financial institutions. This leads to easy comparison and make research done earlier more realistic.

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APPENDICES

APPENDIX: I

Dear respondent,

I **Mwesigwa Rogers.** Reg. No. **1153-05014-03037** a student of Kampala International University undertaking a Bachelor's Degree of Business Administration. Currently am carrying out a research study on Credit Policy and Performance of Commercial Banks; A case study of Barclays Bank (U) Ltd– Katwe Branch 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).

SECTION A

Demographic characteristics of respondents

1. Sex of respondents

Male ☐

Female ☐

2. Age of respondent

Below 18 years ☐

19-40 ☐

Above 40 years ☐

3. Period of stay in the company

Less than 1 year ☐

1-5 years ☐

6-10 years ☐

Above 10 years ☐

4. Do you have a supervisory role in the company?

Yes ☐ No ☐

5. **Occupation.,**

i) Loan officer ☐ ii) Credit officer ☐ iii) Credit rating officer ☐

iv) Manager ☐

SECTION B: To establish the relationship between capacity and performance of commercial banks of Barclays Bank Katwe Branch.

Please evaluate the following statements by ticking under the appropriate figure basing on the scale below:

Capacity and performance of commercial banks	**Agree**	**Strongly agree**	**Neither of all**	**Strongly disagree**	**Disagree**
Questions to bank					
Does the policy limit borrower's capacity from borrowing?					
Do the commercial banks consider the client's capacity and reliability of loan repayment?					
Does the credit policy encourage clients to borrow?					
Does Barclays bank, Katwe branch conduct review on its credit policy?					
Questions to the clients					
Have you ever been denied to be offered a loan because of low capacity to repay?					
Does commercial bank allow you to obtain credit even if you have no capacity?					

SECTION C: To establish the relationship between collateral and performance of commercial banks

Please evaluate the following statements by ticking under the appropriate figure basing on the scale below:

Questions	**Agree**	**Strongly agree**	**Neither agree nor disagree**	**Strongly disagree**	**Disagree**
Questions to bank					
Do clients have collateral for securing loans?					
Does the commercial banks benefit from the client's collateral offered?					
Do commercial banks have challenges on client's security offer?					
Do commercial banks take customer's collateral when they fail to pay back in time?					
Do clients have collateral for securing loans?					
Questions to clients					
Does commercial bank confiscate presented collateral in case you fail to repay back the loan?					
Have you ever presented any of your collateral to commercial banks before you were offered credit?					

SECTION D:
To find out the relationship between character and performance of commercial Banks

Please evaluate the following statements by ticking under the appropriate figure basing on the scale below:

Questions	Agree	Strongly agree	Neither agree nor disagree	Strongly disagree	Disagree
CHARACTER AND PERFORMANCE OF COMMERCIAL BANKS					
Questions to bank					
Does a customer character affect commercial bank operations?					
Does client's character of being potential to borrow depend on business size?					
Do client do their level best to improve their character with commercial banks?					
Does commercial bank assess client's character as a potential business borrower?					
Questions to clients					
Can commercial banks offer you credit even if you have bad character towards repayment?					
Does commercial bank asses your character depending on success of prior business experience?					

KAMPALA INTERNATIONAL UNIVERSITY

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COLLEGE OF ECONOMICS AND MANAGEMENT
DEPARTMENT OF ACCOUNTING AND FINANCE

September, 14th 2018

To whom it may concern

Dear Sir/Madam,

RE: INTRODUCTORY LETTER FOR MWESIGWA ROGERS REG NO 1153-05014-03037

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, Third year Second semester.

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

Topic: - **CREDIT POLICY AND PERFORMANCE OF COMMERCIAL BANKS**

Case Study: - **BARCLAYS BANK (U) LTD KATWE 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,

14 SEP 14/09/2018

P.P. **DR. JOSEPH B.K. KIRABO**
HOD – ACCOUNTING AND FINANCE
0772323344

The bank's headquarters is at 2 Hannington Road, ... Road, Nakasero, KampalaMain Branch; Premier Banking BranchBarclays Bank (U) Limited

Directorate of Market &Research

Barclays Bank (U) LTD Katwe Branch
PLot 64 Kibugas Road. Kampala – Uganda

Tel: 256 (0)772-833845
Fax: 256 000000000

14thAugust, 2018.

TO WHOM IT MAY CONCERN

Dear Sir/ Madam,

Re: Acceptance of Mwesigwa Rogersof Reg No. 1153-05014-03037to Conduct Research in Barclays Bank (U) Ltd Katwe Branch, Plot 64 Kibugas Road. Kampala –Uganda with Due time allocated.

This is acknowledging receipt of your letter regarding, conducting research at Barclays Bank (U) Ltd Katwe Branchof the above mentioned student.

The purpose of this letter therefore is to inform you that we have accepted him and he will have been fully authorized to take his research atBarclays Bank (U) Ltd Katwe Branch.
You are also advised to consult the Branch Manager in case of any company information which may beneeded forpermission to it, and unlawful access to company data may lead to total cancellation of the permission.

Yours Sincerely,

BARCLAYS
14 AUG 2018

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Mr.BenonOjiambo
Marketing and Research Dept:
Copy: Executive Director
" HR Manager
" Branch Managing director (Barclays Bank (U) Ltd Katwe Branch)
"Ms.VeronicahNakito