

**THE CREDIT MANAGEMENT AND THE SUSTAINABILITY OF FINANCIAL
INSTITUTIONS IN SOUTH SUDAN: A CASE
STUDY OF NILE COMMERCIAL
BANK-JUBA BRANCH**

BY

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DECLARATION

I, Kuel Justine, declare that, this dissertation is my own and has never been produced by anybody else for any award in any institution and that materials which are not mine have been fully acknowledged.

Signature:



Date.....

8th/11/2012.

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APPROVAL

This is to certify that this dissertation by Kuel Justine on “credit management and the sustainability of financial institution in South Sudan” has been done under my supervision and is now submitted for examination with my approval.

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8/11/2012

Dr. Kinyatta Stanley

Supervisor

DEDICATION

This dissertation is dedicated to my maternal uncle, Major General Abraham Manyuat Ngong who recognized the value of my education from the very start and has devoted a lot of his efforts to see that I get to the top.

I also dedicated it to my youngest brother, Kaden Ayok Deng (Boyto) whose presence encouraged me to accomplish my dream.

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TABLE OF CONTENTS

DECLARATION	i
APPROVAL	ii
DEDICATION.....	iii
ACKNOWLEDGMENTS	iv
TABLE OF CONTENTS.....	v
LIST OF TABLES.....	vii
LIST OF FIGURES	viii
LIST OF ABBREVIATIONS.....	ix
ABSTRACT.....	x
 CHAPTER ONE	 1
INTRODUCTION	1
1.1 Background of the study	1
1.2 Statement of the problem.....	3
1.3 Objectives of the study	4
1.3.1 General objectives.....	4
1.3.2 Specific objectives	4
1.4 Research Questions.....	4
1.5 Scope of the Study	4
1.5.1 Geographical Scope	4
1.5.2 Content Scope	4
1.5.3 Time Scope	5
1.6 Significance of the Study.....	5
1.7 Conceptual framework.....	6
 CHAPTER TWO	 7
LITERATURE REVIEW	7
2.0 Introduction.....	7
2.1 How Financial Institutions manage Credit	7
2.2 Contributions of Credit Management on sustainability of Financial Institutions.....	9
2.3 Challenges in Credit Management.....	12
 CHAPTER THREE.....	 15
METHODOLOGY	15
3.0 Introduction.....	15
3.1 Research Design	15
3.2 Research Population of Study.....	15
3.3 Sampling Procedure.....	15
3.2 Sample size	16
3.3 Sample framework.....	16
3.4 Data collection instruments	17

3.5 Source of data collection.....	17
3.6 Data processing and analysis	18
3.7 Ethical procedure	19
3.8 Limitations of the study	19
CHAPTER FOUR.....	20
PRESENTATION, ANALYSIS AND DISCUSSION OF THE FINDINGS	20
4.0 Introduction.....	20
4.1 Variance in the targeted and actual respondents.....	20
4.1.1 Socio-demographic Characteristics	20
4.1.2 Age of the respondents	20
4.1.3 Marital Status of the respondents	22
4.1.4 Gender of the respondents.....	23
4.1.5 Educational status of the respondents.....	25
4.2 Ways how Financial Institutions manage Credit in South Sudan.....	26
CHAPTER FIVE	33
SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	33
5.0 Introduction.....	33
5.1 Summary of the study	33
5.2 Conclusions.....	34
5.3 Recommendations.....	34
5.4 Areas for further research	35
REFERENCES	36
APPENDICES	39
APPENDIX 1-RESEARCH INSTRUMENTS	39
APPENDIX II.....	44
BUDGET:	44
APPENDIX III: TIME FRAME	45

LIST OF TABLES

Table 1: Respondents of the Study	16
Table 2: Variance in the targeted and actual respondents.....	32
Table 3: Age distribution of respondent	21
Table 4 Marital status of the respondents	22
Table 5 Gender of the respondents	24
Table 6: Educational level of the respondents	25
Table 7: Ways how Financial Institutions manage Credit in South Sudan	26
Table 8: Challenges of credit management in financial institutions in South Sudan	28
Table 9: The causes of poor credit management by Financial Institutions	30

LIST OF FIGURES

Figure 1: Age distribution of the respondents	21
Figure 2: Marital status of the respondents.....	23
Figure 3: Gender of the respondents.....	24
Figure 4: Educational levels of the respondents	25
Figure 5: Ways how Financial Institutions manage Credit in South Sudan	27
Figure 6: The challenges of credit management in financial institutions in South Sudan	29
Figure 7: The causes of poor credit management by Financial Institutions	31

LIST OF ABBREVIATIONS

GOSS	Government of South Sudan
ISA	International Standards of Auditing
MIT	Management Improvement team
NCB	Nile Commercial Bank

ABSTRACT

The research on “the credit management and the sustainability of financial institutions was conducted in Nile Commercial Bank-Juba Branch, South Sudan. The research involved respondents, 33 accountants, 26 auditors, 14 staff board members, and 27 from bank debtors. The research was guided by research objectives which included; finding out how financial institutions manage Credit in South Sudan, finding out the challenges of credit management in financial institutions in South Sudan, and establishing the causes of poor credit management by Financial Institutions.

On finding out how financial institutions manage credit in South Sudan, the study revealed that; determination of payment period, decision on form of contract, assessment of credit worthiness, and contacting credit reference bureau. On the challenges of credit management in financial institutions in South Sudan fraud, lack of credit management software, poor record keeping, and poor coordination with other banks

On the causes of poor credit management by Financial Institutions Lack of knowledge, over dependency on borrowers, poor monitoring techniques, involvement in risky portfolio concentration. Conclusions and recommendations were then made after the summary of the study.

The researcher concluded that many financial institutions have a lots needs to have sound credit management so as to effectively achieve sustainability.

It was recommended that lending limits should be established to avoid undue concentration of credits. Also was recommended that the management of financial institutions should ensure that the credit and debt management / collection staff work as a team, excellent liaison and communication skills especially when identifying business and how to minimize bad debts.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The banking industry has achieved great prominence in the developing countries' economic environment and it influence play predominant role in granting credit facilities. The probability of incurring losses resulting from non-payment of loans or other forms of credit by debtors known as credit risks are mostly encountered in the financial sector particularly by institutions such as banks. The biggest credit risk facing banking and financial intermediaries is the risk of customers or counter party default (Bessis, 2002).

According to Collins (1995), credit management is the process for controlling and collecting payments from your customers. A good credit management system will help financial institutions reduce the amount of capital tied up with debtors (people who owe you money) and minimize your exposure to bad debts. Good credit management is vital to your cash flow. It is possible to be profitable on paper and but lack the cash to continue operating your business

According to Brownbrigde, 1998), credit creation is the main income generating activity for the banks. But this activity involves huge risks to both the lender and the borrower. The risk of a trading partner not fulfilling his or her obligation as per the contract on due date or anytime thereafter can greatly jeopardize the smooth functioning of bank's business. On the other hand, a bank with high credit risk has high bankruptcy risk that puts the depositors in jeopardy. In a bid to survive and maintain adequate profit level in this highly competitive environment, banks have tended to take excessive risks. But then the increasing tendency for greater risk taking has resulted in insolvency and failure of a large number of the banks.

The importance of financing in the management and control of organization has raised the need of financial planning as part of the credit management tool concerning planning;

controlling and implementation of the funds financial resources intended to contribute highly to maximization of values. It begins with creation of plant which identifies the timing, the amount of funding, monitoring the flow of funds and adjusting the organization's financial strategy. Thus good planning and skillful management of finance are therefore way forward to growth a clear path, performance, measures and continuous survival of the Financial Institutions (Demirguc-Kunt et al, 1998).

Demirguc-Kunt et al, (1998) further states that credit management is intended to put to use the budget plan to streamline operations by budgeting indicators to foster changes and improved performance. That is the budget measures current financial performance and guides operations. It discovers the significant transaction error and detects substantial changes in circumstances.

Many strategic tools to create value within organization's setting, credit management .It encompasses the making of forecasts on expected revenues needed to run the organization and planning for proper utilization of available resources including the management of assets. Efficient management therefore of prerequisite to attainment of organizational goals which can be revealed where there is proper management of financial resources (Umoh, 1994).

Effective credit management is therefore a critical activity that helps organization asses the cost of achieving its objectives, accountability, and obligation. It aims at ensuring that adequate funds are always available to finance the projected levels of activities. Organizations should ensure that management policies and directives are adhered to protection against losses of materials such as drugs, unwarranted extension of credit and outright thefts are discouraged. Internal book checking and auditing encourage arrival at appropriate level of control. With this in mind, misdirection of revenue and improper authorization is completely discouraged (Umoh, 1994).

Consequently, lack of consistent information and reporting framework for performance budgeting and accounting observes necessary transparency. Particularly enough transparency

in allocation of resources must be encouraged and proposed financial arrangements address stated objectives and actions through monitoring evaluation and accountability. This implies that to improve management practices, overtime, and the management plan should be reviewed on regular basis regarding the success of the chosen management objectives set (Golin, 2001).

1.2 Statement of the problem

Sustainability of financial institutions in Nile Commercial Bank, South Sudan has been hampered by poor credit management in commercial banks. Poor credit management has always failed many financial institutions from operation. Many of these financial institutions have collapsed mainly due to the poor credit management. Yet, proper acquisition and utilization of credit management of any organization usually leads to achievements of its goal. Many factors are responsible for this and they bring about efficiency and effectiveness. However, banks are increasingly facing credit risk (or counterparty risk) in various financial instruments other than loans, including acceptances, interbank transactions, trade financing foreign exchange transactions, financial futures, swaps, bonds, equities, options, and in the extension of commitments and guarantees, and the settlement of transaction. Anthony (1997) asserts that credit risk arises from non-performance by a borrower.

It may arise from either an inability or an unwillingness to perform in the pre-committed contracted manner. Brownbridge (1998) claimed that the single biggest contributor to the bad loans of many of the failed local banks was insider lending. He further observed that the second major factor contributing to bank failure were the high interest rates charged to borrowers operating in the high-risk. Thus, the due to the need for sustainability of financial institutions, the research tends to find out the contribution of credit management on the sustainability of Nile Commercial bank, Juba, South Sudan.

1.3 Objectives of the study

1.3.1 General objectives

To assess the impact of credit management on the suitability of financial institutions in South Sudan.

1.3.2 Specific objectives

- (i) To find out how Financial Institutions manage Credit in South Sudan.
- (ii) To find out the challenges of Credit management in financial institutions in South Sudan
- (iii) To establish the causes of poor credit management by Financial Institutions.

1.4 Research Questions

- (i) How do financial institutions manage credit in South Sudan?
- (ii) What are the challenges of Credit management in financial institutions in South Sudan?
- (iii) What are the causes of poor credit management by Financial Institutions?

1.5 Scope of the Study

1.5.1 Geographical Scope

The study was carried out in Nile Commercial Bank (NCB) which is a commercial bank in South Sudan, Juba. It is one of the commercial banks licensed to operate in South Sudan, by the Bank of South Sudan, the national banking regulator. Nile Commercial Bank is an indigenous South Sudanese commercial bank. The bank is affiliated with Stanbic Bank, a division of Standard Bank of South Africa.

1.5.2 Content Scope

This research was on the impact of credit management and the sustainability of financial institutions in South Sudan.

1.5.3 Time Scope

The study took three months, starting from September to December 2012.

1.6 Significance of the Study

The study findings will aim at creating awareness and making financial institutions realize the importance of credit management and how they can effectively be implemented to enhance sustainability.

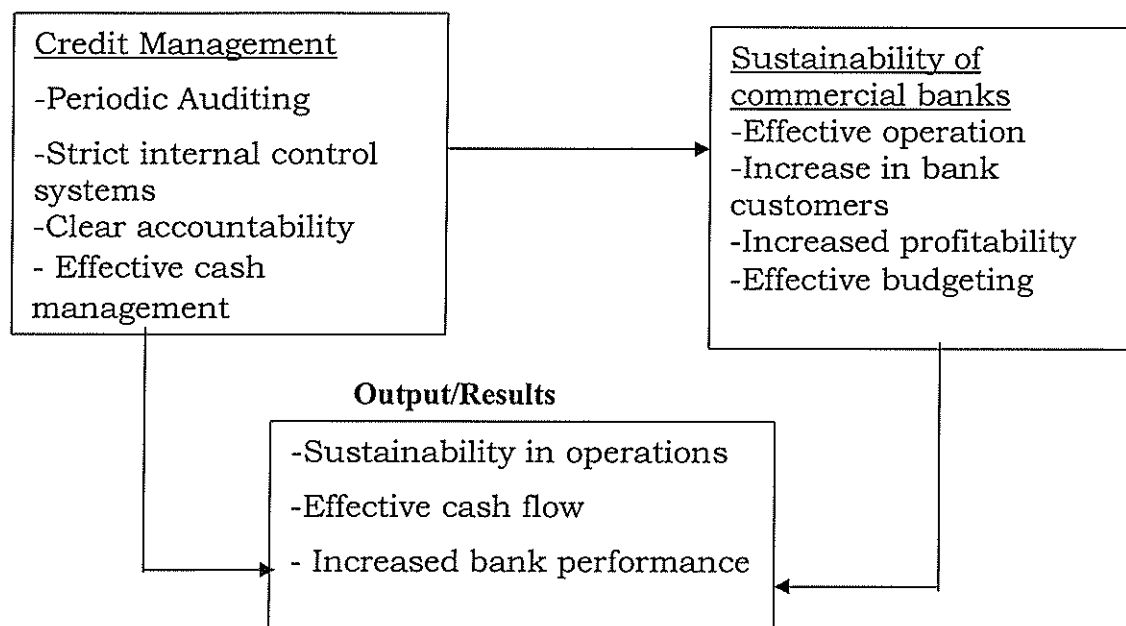
There is hope that the outcome of the research will contribute towards discovery of proper way of improving financial planning and management among financial institutions in South Sudan. The expectation from this study is its inspiration on the other researchers to delve deeper into the study so that policy makers, financial planners and managers improve their deliveries.

Finally, I will produce a report as partial fulfillment of the requirements for award of an undergraduate Degree in Business Administration of Kampala International University (K. I. U) and this report will also be useful to the university itself as reference especially for those who shall find interest in credit management in time to come.

1.7 Conceptual framework

Independent variable

Dependent Variable



Source: Researcher's conceptualization

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this chapter we looked through the earlier research documents of different researchers; literature with an aim of identifying a problem of concern eventual number of duplication of early research work is done. Apart from going through other related work. It will also involve critically going through other services of materials that are related with the research topic.

2.1 How Financial Institutions manage Credit

Many authors contributed their understanding on credit management as Richard A Brealy and SC Myers, (1996, p. 795Z) put it in *Principal of Corporate Finance* 5th ed. New York: McGraw Hill. Financial management is concerned with assessing one's business financial status, determining its objectives and formulating the financial strategies of how to achieve them. Usually, firm will establish goals for itself, helping it achieve these goals are one of the main responsibilities of the chief financiers and his planning staff as stated by James C. Van Horne, (1998 p. 727).

A process of analyzing the financing and investment choices opening of the firm and projecting the future consequences of present decisions deciding which alternatives to undertake, to determine which decisions are embodied in the financial plan and which goals are set in a financial plan.

Many strategic tools create value within organization's settings. Credit management encompasses the making of forecasts on expected revenues needed to run the organization and planning for proper utilization of the available resources, including the proper utilization of the available resources, including the management of assets. Efficient management therefore of a prerequisite to attainment of organizational goals which can be

revealed where there is proper management of financial resources. Effective financial management is therefore a critical activity that helps an organization assess that cost of achieving its objectives, accountability obligation. It aims at ensuring that adequate funds are always available to finance the projected levels of activities (Umoh. 1994).

Budgeting is the process of preparing and using budgets to achieve management objectives. It is defined as a quantitative plan of action expressed in monetary terms used and is used to control resources. Chartered institute of management Accountants, London defines budget as “a plan quantified in monetary terms prepared and approved prior to a defined period of time, usually showing planned income to be generated and /or expenditure to be incurred during that period. This implies that a budget is a plan of management’s intentions of attaining specific objectives. It shows the projections or future estimate of output, cost and revenues. Actual performance is compared against a standard. It serves as a means of coordination and control, providing clarity direction and purpose. To provide a greater focus on performance, the administration plans to integrate performance review with budget starting with the assigned period budget submission, financial and management information for effective management and internal control to maintain the integrity of the operation.

Broadbont and Cullen (1999 p.122), point out that a budget is quantitative expression of plan of action and an aid to co-coordinating and implementing activities of the organization. This shows that a planned revenues, expenses assets, liabilities and cash flow. Budgets therefore are drawn up from control purposes. It attempts to control the direction which the firm or organization is taking. Budgeting go hand in hand with all the function management which are planning, organizing, coordinating, control, motivating, communication and evaluating performance of managers, putting all these as means leading to an end, managers consider objectives and how to achieve them. Budgets therefore are action plans which ensure that parts are working together, yardsticks against which the performance of the organization can be compared. With this at hand corrective measure can easily be taken should there be diversion from planned objectives

Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an enterprise? When those relating to contributions from equity participants. Revenue is the price of goods sold and services rendered during a given accounting period. Earning revenue causes owners equity to increase. When a business renders services or sells merchandise to its customers, it usually receives cash or acquires account receivable from customers Mieg Better, (1999 p. 95)

These inflows of cash are controlled by the organization by use of the budgets, receipts books, cash books, proper recording and providing safe custody by banking. Accounts receivable should be followed up and all banking. Accounts receivable should be followed up and all outstanding debts paid within the stipulated period of time.

Through A balance sheet which is the financial report showing the assets liabilities and owners equity of an enterprise on a specific date. The organization can be in position to identify its assets from liabilities and can thus know its financial standard. It is a statement that shows the financial statement position of an enterprise. Basically, a balance sheet is designed to disclose the financial interest of the owner (s) in the business and its liabilities to outside parties- and now those amounts are represented by its various assets. To be able to do this, the balance sheet must include the net profit (or loss) as disclosed by the profit and loss accounts that may be shown as a separate item, as is usual with a limited company or as an addition / to (to as deduction from in the case of a loss) the owners'/partners' capital (Omonuk, 1999).

2.2 Contributions of Credit Management on sustainability of Financial Institutions

In any organization credit management is involved in various activities which cannot be implemented, without financial resources for instance securing a new asset, employing more staff, reconstructing and rehabilitating devastated places. Their decisions for such plans and implementations requires finances and resources related to them.

Credit management involves estimating income and expenses, estimating initial investments, determining the financial implication /requirements, determining the financial plan, making the forecasts on the sources both internal and external to support the financial plan establishing and maintaining a system of control for allocating and the use of adjusting the basic if conditions change from forecast as narrated by both Eugene F. Brigham and Louis C. Gapenski (1985, p. 918).

According to Golin, (2001), for organization to successfully achieve its objectives planning is for paramount significance and is a continuous process where plans are reviewed regularly and performance measured against specific devised targets. It leads to management decision making and measuring performance. The timeliness of financial information ensure that banks react promptly to new development and measure project outcome basis financial planning involves estimating income and expenses, estimating initial investments, determining the financial implications and requirements of the financial plan and making forecasts. This is done by planning for the financial resources needed to accomplish given objective and ensuring that they will be available when operation is implemented.

Financial planning is a necessary and a priority in both non and established governmental organization for reasons such as listed below:-

- It helps formulate methods by which goals are to be achieved. Thus it acts as a motivating factor and bench mark for measuring performance.
- It makes clear the link between investments or expenditure proposal of the different operating activities and choices of the available finance.
- It helps the organization to clarify its position on the investment plan and how it will have the various activities in mind financed. Determination of either success or failures can easily be distinguished with a good plan.
- With financial planning identification of strength, weaknesses opportunities and threats become easy. Hence evaluation of performance is facilitated (Golin, 2001).

Credit management is intended to put to use the budget plan to streamline operations by utilizing budgetary indicators to foster changes and improved performance. That is, the budget measures current financial performance and guides operations, it discovers the significant transaction error and detects substantial changes in circumstances.

Financial decision making is the second important function to be performed by the financial manager. The managers, as Pamdey (1994) rightly put it “must decided when, where and how the funds to meet the firms’ investment needs are executed” Pamdey (1979) quoting Ezra Solomon observed that the function of financial funds to new ongoing uses.

The International Standards of Auditing (ISA), 1999 defines internal control as comprising of an internal environment and control procedure. Simiyu (1997) defines internal control as: “ The whole system of control financial and otherwise established by the management in order to carry on business of the entity in an orderly and efficient manner, ensures as far as possible the completeness of records” While (SAP) defines the system of internal control a the plan of an organization and methods and procedures adopted by the management of the entity to assist in achieving management objectives of ensuring as far as practicable the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, prevention and detection of fraud and errors, the timely preparation of reliable financial information. These authors show that internal control promotes efficiency and protects the organization assets from loss, theft and wastage. To have a strong internal control system, accurate record should be maintained. The records give management reliable information to use in monitoring the performance of the organization. According to international accounting standards, I paragraph 5; financial statement is a structural representation of the financial position of the transaction undertaken by an enterprise.

Accounting information is usually presented in financial statements. The information contained in them is of great assistance in planning in controlling the business and in decision making. The most common of the financial statements produced are the balance sheets, income statements, cash flow statements and the statement showing changes in equity of other than those arising from capital transactions with owners and distributions to owners (ISA, 2002).

2.3 Challenges in Credit Management

Andrew Green (2002), observed that: For some health professional, planning is often viewed with suspicion, with its practitioners being at best at inconvenience and at worst an unnecessary evil.

Organizational operations can be challenging as they are unpredictable. The major elements that influence the struggles towards eventual success are proper financial planning and management which adjusting should it be deemed right to do so. The challenge of financial managers or organization is to understand and prioritize its financial requirement and to apply some of the emerging budget approaches to improve approaches so as to achieve its goals/objectives.

Financial control according to Joe and Joel, (1997) constitutes policies, procedures and systems designed and put in place to collect classify and report periodically information on daily activities. Financial control addresses challenging questions such as, Are assets being used efficiently? Are the business' assets secured? Does management act in the best interest of the share holders and accordance to the business rules?

Organization should ensure that management policies and directives are adhered to, protection against losses of materials such as drugs, unwarranted extension of credit and outright thefts are discouraged. Internal book checking and auditing encourage arrival at

appropriate level of control. With this mind, misdirection of revenue and improper authorization is completely discouraged.

In order to accomplish set goals, administration is to establish a Management Improvement Team (MIT) whose main task focuses on identifying, tracking, cataloging and resolving audit issues and management items. With this, the administration will significantly improve the banks' credit management capacities. Initially, (MIT) will be expected to identify high quality outcome measure, accurately monitor the performance of programs and begin integration, this presentation with associated costs. Using this information, high performing programs will be reinforced and non performing activities or terminated (Miller, 1997).

Consequently, lack of consistent information and reporting framework for performance, budgeting and accounting obscures necessary transparency. Therefore, effective planning and better management.

Miegs, Bette (1999), every organization profit or otherwise marks expenses, which, if not properly controlled and monitored may lead to the collapse of the business. Management should therefore use the necessary tools to check by use of payment vouchers, proper authorization of payment, having bank accounts with the reasonable signatories and using the auditors to check the organizations' book of accounts.

2.4 Possible Solutions to Financial Planning and Management

Particularly through transparency in the allocation of resources must be encouraged, and proposed financial arrangements address stated objectives and actions through monitoring evaluation and accountability. This implies that to improve management practices overtime, the management plan should be reviewed on regular basis regarding the success of the chosen management objectives set.

According to Kim, D. and Santomero, A. M. (1988), the performance of an established management system is measured by indicators that facilitate the qualification and quantification of management success over time. Indicators are to be selected in a way that they cover the whole performance range including all the governing aspects of performance in relation to finance available.

Kim, D. and Santomero, A. M. (1988) further state that organization should prepare Income statement regularly. An Income Statement is the statement which represents the changes in financial position of the firm due to operations. It indicates the profitability of the business over the preceding years. Basically, income statements contains sales, cost of goods sold, gross profit on sales operating expenses, net operating income or profit, other income, other expenses and net income or profit.

However, in the case of nonprofit organization, clubs, the financial statements they prepare are instead called receipts and payment accounts or income and expenditure accounts. This is because their objectives are not for profit (Wood and Songstar, 1999). Success of management of financial resources as indicated by the authors show that proper management of finance or mismanagement of finances are root causes of either good or poor performance of both private / public organization. Thus, the findings will give empirical factors regarding financial planning and management and the role it plays on performance.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter included the methodology of the study. It entailed research design, geographical location/area and population, sampling design, data collection methods and instruments, data analysis and processing and the limitations of the study.

3.1 Research Design

This study employed the descriptive survey design. Descriptive studies are *non-experimental* researches that describe the characteristics of a particular individual, or of a group. No other method of observation provided this general capability. Consequently, very large samples are feasible, making the results statistically significant even when analyzing multiple variables. Many questions were asked about a given topic giving considerable flexibility to the analysis.

3.2 Research Population of Study

The study was carried out in Nile Commercial Bank (NCB) which is a commercial bank in South Sudan, Juba. Nile commercial bank has an approximate population of 160 staff in Juba branch alone. It is one of the commercial banks licensed to operate in South Sudan, by the Bank of South Sudan, the national banking regulator. Nile Commercial Bank is an indigenous South Sudanese commercial bank.

3.3 Sampling Procedure

The researcher formulates a procedure of selecting subjects or cases from the target population to be included in the sample (Mugenda, 1999). While Okurut (2007), the sampling procedure explains how the sample was arrived at from the population such as through random sampling, purposive sampling and so on for each category of the sample.

In this study the researcher used simple random sampling, purposive sampling and stratified random sampling respectively.

3.2 Sample size

Table 1: Respondents of the Study

Category of employees	Total Population	Sample Size	percentage	Sampling Method
Accountants	46	35	30	Stratified
Auditors	46	32	28	Purposive
Staff board members	22	16	14	Stratified
Bank debtors	46	31	27	Random
Total	160	114		

Source: primary data

Table 1: the above shows the criteria for selection of the respondents.

SLOVEN'S FORMULA

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

$$n = \frac{160}{1 + 160(0.05)^2} = 114$$

n – Sample size

N – Total population

0.05 – Margin of Error

3.3 Sample framework

Random sample technique in which the size of the respondents is predetermined before the research is conducted without bias. A sample size of 114 was randomly selected from the sheets of paper spread. Purposive sampling was administered on employees who are knowledgeable about the organization operations such as departmental heads. Sample

selection was done since the researcher was not in position to cover all the target population

3.4 Data collection instruments

The following data collection instruments were used:

(i) Questionnaire

This was designed in line with the topic and objectives. They included both open and closed-ended questions. This instrument has been selected because it is efficient and convenient in a way that the respondent is given time to consult the documents before answering the questions. It is also because the respondent can give unbiased answers since she/he is given to write whatever she/he would like to write which would otherwise be hard for the respondent to write if the researcher is present.

(ii) Documentary Review

This included detailed review of already existing literature. The tool is selected because it gives accurate, correct and historical data, which may be used for future aspects. The sources of the information here were the libraries, data banks, news papers and any other published information that can readily be available for use as regards the topic of research.

(iii) Interview Guide

The interview guide contained a list of open-ended questions which have been derived from the aims and objectives of the study. These open-ended questions must be balanced, unbiased, sensitive and clear.

3.5 Source of data collection

The researcher was collected data from both primary and secondary sources.

i. Primary Data

This may be sourced by physical and visiting of the files and collecting data through variable tools. The respondents were got by first determining the number of the respondents and then taking a physical visit to seek for the consent of the respondents to have them answer the set questions in the questionnaire and this were through following stratified random sampling techniques in the respondents are first selected and then approached.

ii. Secondary data

This was sourced by reviewing of documented resources as newspapers, journals, reports, presentations, magazines and online publications. This is done in order to first identify the existing information on the topic of research and to understand how much the respondent knows about the research topic in order to avoid lies.

3.6 Data processing and analysis

Data processing starts by editing the schedules and coding the responses. Editing, Coding and Tabulation techniques are used in data processing exercise.

Editing is the process whereby the completed questionnaires and interview schedules are analyzed in the hope of amending recording errors or at least deleting data that are obviously erroneous. This is aimed at improving the quality of information from respondents. The researcher fills out few unanswered questions. However, answers filed are deducted from the proceeding answers or questions. Coding was used in this research in order to summarize data by classifying different response given into categories for easy interpretation. Data once edited and coded are put together in some kind of tables and may undergo some other forms of statistical analysis. Data is put into some kind of statistical table showing the number of occurrences of responses to particular questions with percentage to express data in ratio form.

3.7 Ethical procedure

Before going to the field, the researcher began with getting authorization letter from the principal of the college of Applied Economics and Management Science then take it to the respondents and this enabled the researcher attain adequate information from the respondents. During the process of data collection, confirmation was given to the respondents in that the researcher assured the respondents that the reason for the research was for academic purpose only.

3.8 Limitations of the study

Unwillingness of the respondents to effectively respond to the questions was one of the most notable problems that the researcher faced while conducting the research.

Financial constraints were also problems that occurred during the process of conducting the research. Transport costs were so high to be met by the researcher and this fully contributed to the delay of the research because it became so hard for the researcher to continue with the tight budget.

Hostility among some respondents was also another limitation of the study in the sense that the researcher found that there were hostile respondents who in the long run turned down the request of the researcher to answer the questions. Many of such respondents walked away in spite of the fact that the researcher tried to plead for their attention.

The researcher was affected by the prevailing weather conditions i.e. the rain. It is true that the research was conducted during rainy season and it was hard for the researcher to find the respondents.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSION OF THE FINDINGS

4.0 Introduction

The data was collected using both quantitative and qualitative methods, which was then analyzed and processed to make it useful and understandable. Data was collected, tabulated and then analyzed.

4.1 Variance in the targeted and actual respondents

The researcher targeted a total of 114 respondents, selecting 35 accountants, 32 auditors, 16 staff board members, and 31 from bank debtors. Nonetheless, not all the targeted sample responded; the actual sample responses were 100 out of the targeted 114, hence, a response rate of 88%. This is indicated in Table 2.

Table 2: Variance in the targeted and actual respondents

Category of employees	Targeted size	Actual response
Accountants	35	33
Auditors	32	26
Staff board members	16	14
Bank debtors	31	27
Total	114	100

Source: Primary data

4.1.1 Socio-demographic Characteristics

4.1.2 Age of the respondents

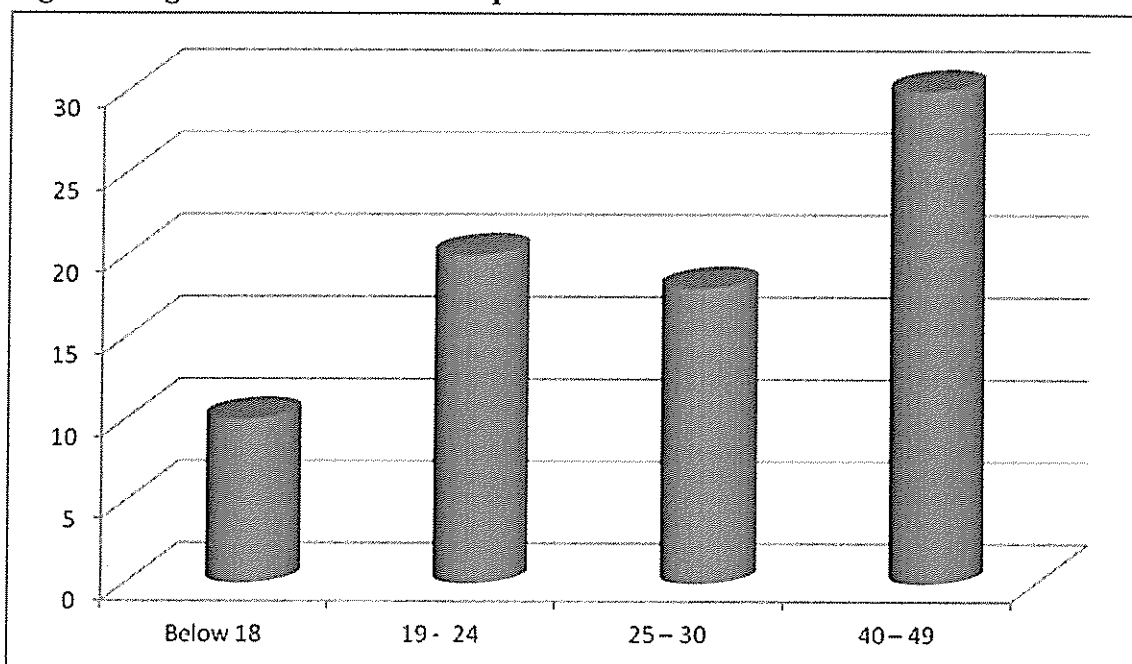
Respondents were asked questions related to their age and the results are shown in the table below:

Table 3: Age distribution of respondent

Age group	Frequency	Percentage
Below 18	10	10
19 - 24	20	20
25 – 30	18	18
40 – 49	30	30
50 – above	22	22
TOTAL	100	100

Source: Primary data

Figure 1: Age distribution of the respondents



Source: Primary data

Table 3 Figure 1 above show that 10% of the respondents were below 18 years, 20% were between 19-24 years of age, 18% were between 25-30 years of age, 30% were between 40-

49 years and 22% were above 50 years of age. This means that majority of the respondents are between 40-49 years of age followed by those above the age of 50.

4.1.3 Marital Status of the respondents

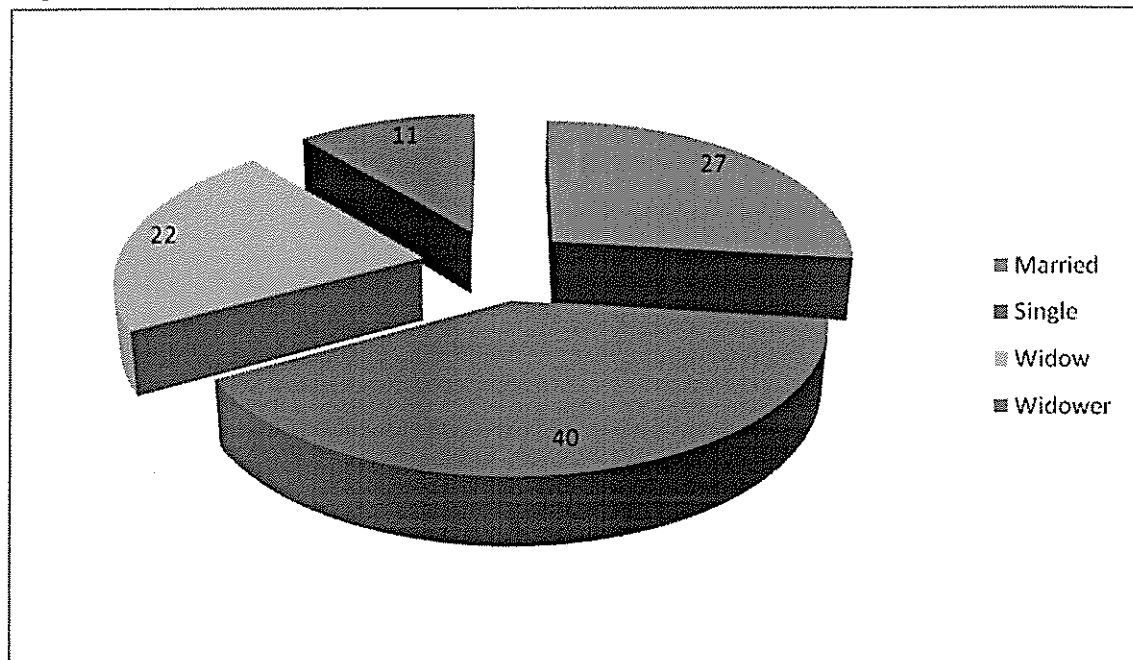
Another variable which was important in respect to the situation of the people in the area was marital status. Information regarding marital status of the respondents was obtained by asking them whether they were married, single, widowed or widowers.

Table 4 Marital status of the respondents

Marital Status	Frequency	Percentage
Married	27	27
Single	40	40
Widow	22	22
Widower	11	11
TOTAL	100	100

Source: Primary data

Figure 2: Marital status of the respondents



Source: Primary data

Table 4 and figure 3 above shows that 27% of the respondents were married, 40% were single, 22 were widows and 11% were widowers. This means that majority of the respondents were married people followed by a handful of widowers.

4.1.4 Gender of the respondents

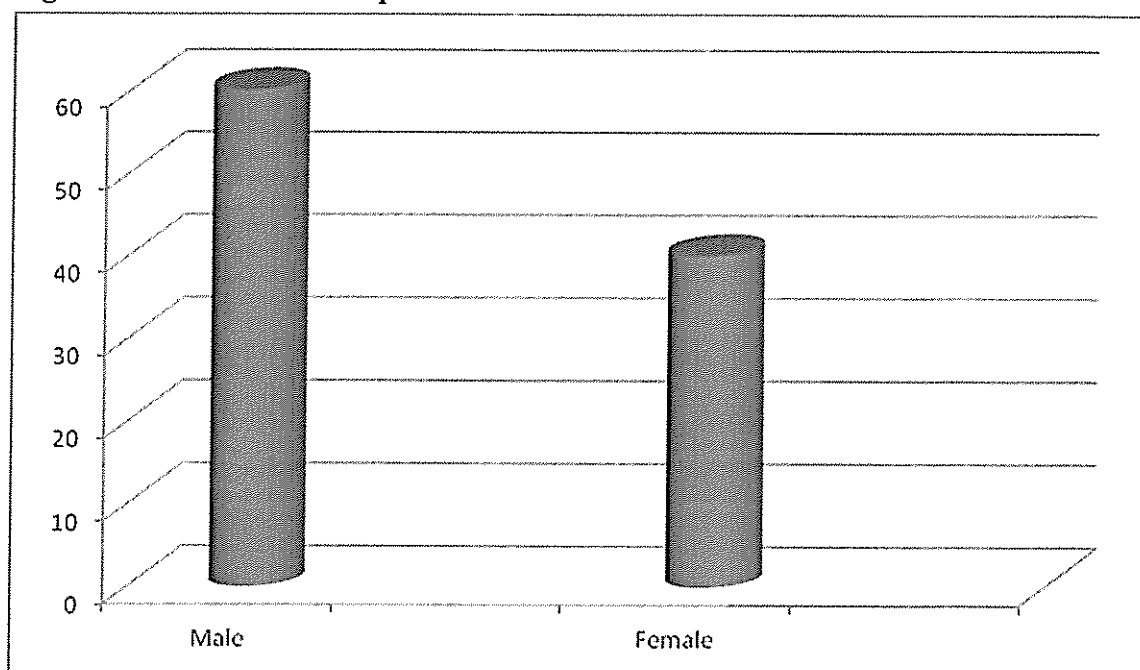
Gender was also another factor which was considered during the study. This is because the researcher was interested in finding out the number of females and males in the whole of the population, and compares the percentage composition of the two.

Table 5 Gender of the respondents

Sex	Frequency	Percentage
Female	40	40
Male	60	60
Total	100	100

Source: primary data

Figure 3: Gender of the respondents



Source: Primary data

Table 5 and figure 3 above shows the sex of the respondents and it was found that 40% of the respondents were females and 60% were males. This therefore means that the majority of the respondents are male and the male dominate the enterprises with over 60%.

4.1.5 Educational status of the respondents

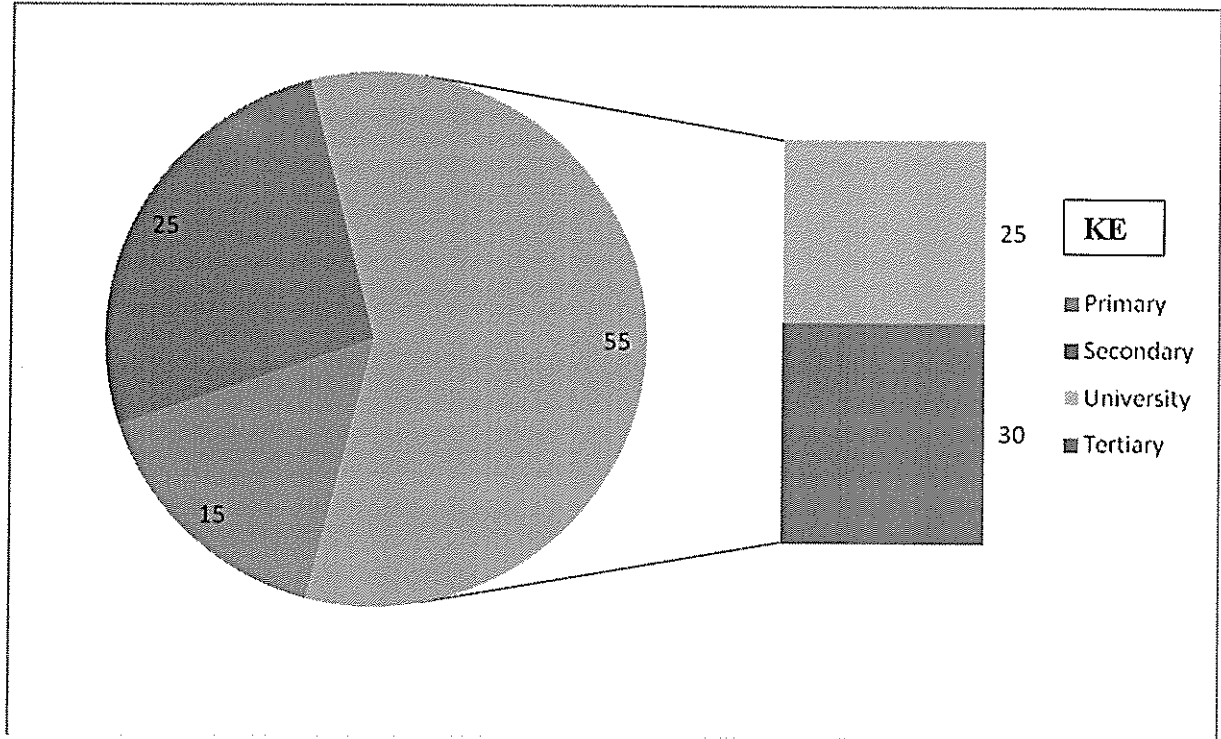
Respondents were asked questions related to their educational status and their responses are shown in the table below;

Table 6: Educational level of the respondents

Education levels	Frequency	Percentage
Primary	15	15
Secondary	25	25
University	30	30
Tertiary	20	20
Total	100	100

Source: primary data

Figure 4: Educational levels of the respondents



Source: primary data

Table 6 and figure 4 above shows educational levels of the respondents and it revealed that 15% had reached primary school, 25% of the respondents had secondary education, 25% received university education, and 20% had tertiary education. This means that the majority of the respondents had tertiary level of education as compared to university and secondary education.

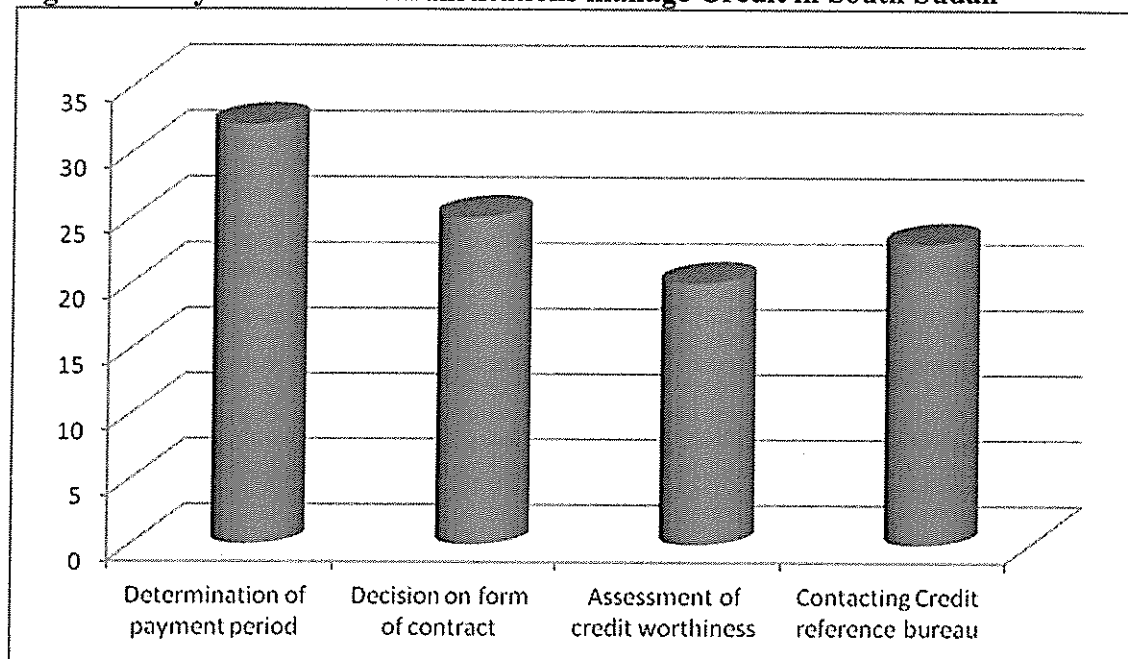
4.2 Ways how Financial Institutions manage Credit in South Sudan

Table 7: Ways how Financial Institutions manage Credit in South Sudan

Responses	Frequency	Percentages
Determination of payment period	32	32
Decision on form of contract	25	25
Assessment of credit worthiness	20	20
Contacting Credit reference bureau	23	23
Total	100	100

Source: Primary data

Figure 5: Ways how Financial Institutions manage Credit in South Sudan



Source: Primary data

Table and figure 4 shows the ways how Financial Institutions manage Credit in South Sudan and the findings revealed that;

Determination of payment period was one of the ways how Financial Institutions manage Credit in South Sudan. Majority (32%) of the respondents noted that the bank ensures that payments of debts are first determined before the bank goes into debt either with a fellow bank or with individual. No credit is taken either by the bank or by any individual before agreeing on the payment period.

Furthermore, 25% of the respondents noted that decision on form of contract is yet another way how Financial Institutions manage Credit in South Sudan. The respondents stressed that the banks usually makes decision on the nature of contract to be entered with the debtor before credit is issued to the debtor.

Over 20% of the respondents also said that assessment of credit worthiness is yet another way how Financial Institutions manage Credit in South Sudan. The respondents said that the bank first determines the ability of the debtor to pay the debt before she or he is considered to take a credit from the bank. This helps the bank work out other means of debt recovery once the client fails to honor the settlement of debt by the debtor.

Finally, 23% of the respondents noted that contacting of credit reference bureau is also done by the bank to find out the credit record of the client before he goes into credit with the bank. If the client is found to have bad credit record, then the bank can stop any issuance of credit to such a client.

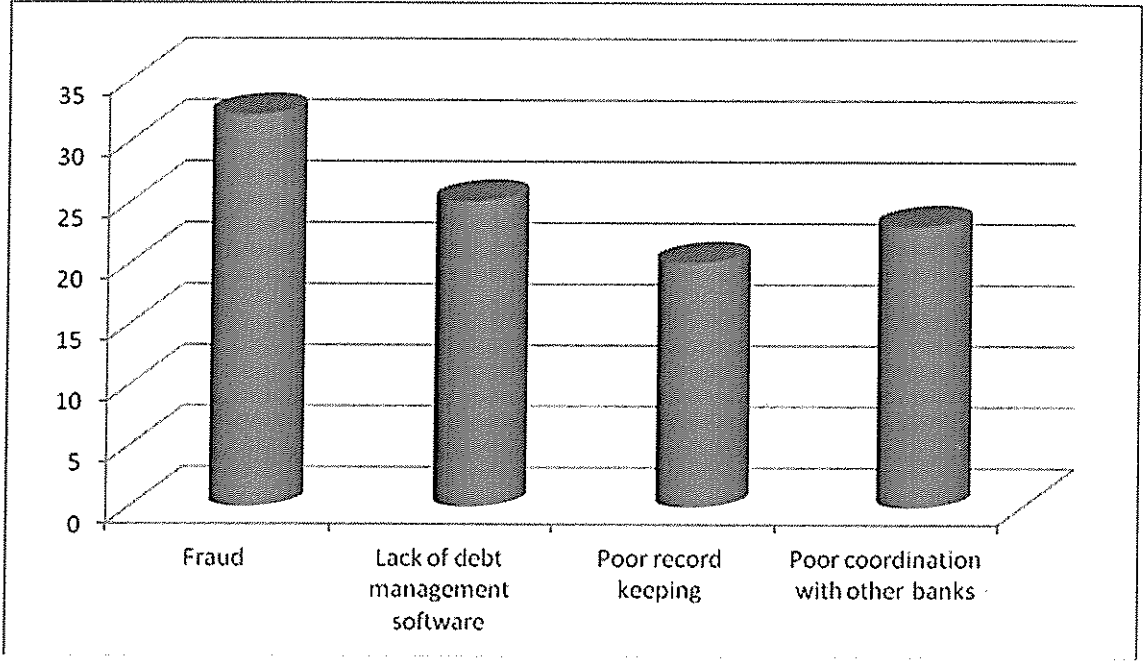
4.3 challenges of credit management in financial institutions in South Sudan

Table 8: Challenges of credit management in financial institutions in South Sudan

Responses	Frequency	Percentages
Fraud	32	32
Lack of credit management software	25	25
Poor record keeping	20	20
Poor coordination with other banks	23	23
Total	100	100

Source: Primary data

Figure 6: The challenges of credit management in financial institutions in South Sudan



Source: Primary data

Table and figure 8 show the challenges of credit management in financial institutions in South Sudan and the findings revealed that;

Majority (32%) of the respondents noted that fraud is one of the major challenges of credit management in financial institutions in South Sudan. The respondents noted that many of the debt officials are usually fraud by the public and this makes it hard for the bank to freely operate. Just like any other business that fear loses, banks too fear loses and loses can easily trigger their collapse.

Over 25% of the respondents noted that lack of credit management software is yet another challenge of credit management in financial institutions in South Sudan. The respondents noted that with the advance of science and technology, many banks still lack basic software to manage their debt data banks, thus putting the bank in risk.

Furthermore, 20% of the respondents note that poor record keeping is still another challenge of credit management in financial institutions in South Sudan. The respondents noted that there is a challenge of book keeping and this is a very challenging issue for the bank in its operations as loss of records is less avoided.

Finally, 23% of the respondents noted that another challenge of debt management is poor coordination with other banks. The respondents noted that many banks in South Sudan do not share information and it becomes very hard to find out the debt record of many bank debtors. This is worsened by a weak reference bureau in South Sudan.

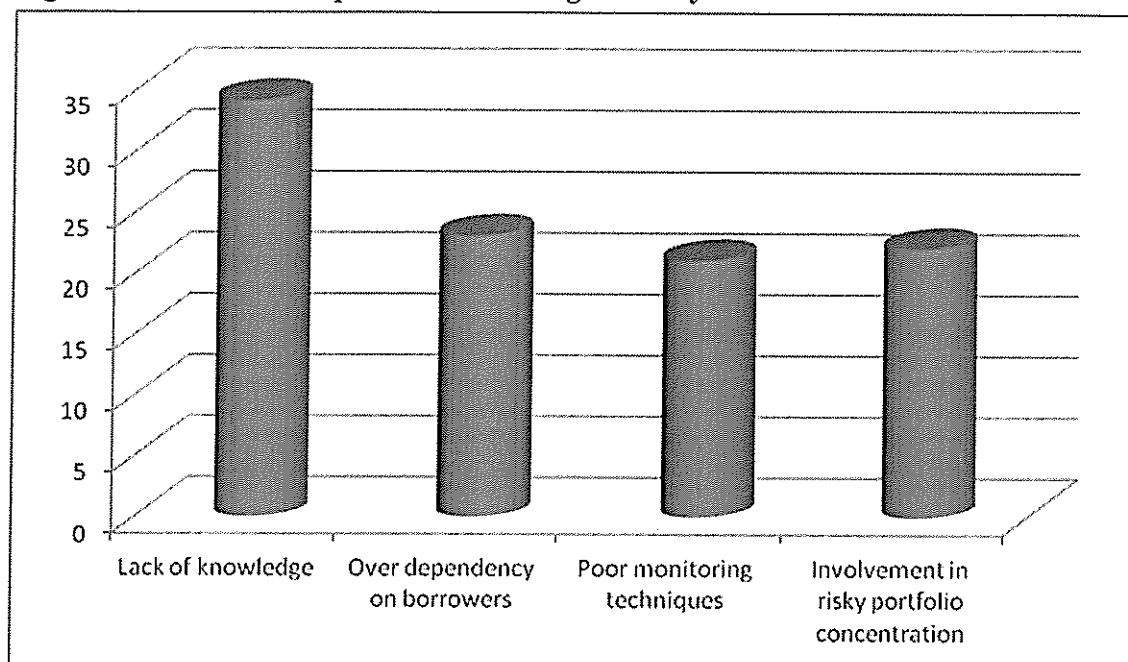
4.4 The causes of poor credit management by Financial Institutions

Table 9: The causes of poor credit management by Financial Institutions

Responses	Frequency	Percentages
Lack of knowledge	34	34
Over dependency on borrowers	23	23
Poor monitoring techniques	21	21
Involvement in risky portfolio concentration	22	22
Total	100	100

Source: Primary data

Figure 7: The causes of poor credit management by Financial Institutions



Source: primary data

Research question three sought to establish the causes of poor credit management by Financial Institutions and the findings showed in table 8 and figure 6 revealed that;

Majority (34%) of the respondents noted that lack of cadre of capable entrepreneurs with a sufficient knowledge of managing a bank funded project, is one of the causes of poor credit management by Financial Institutions. The respondents stressed that poor credit management result from lack of knowledge to of managing funds, mainly the funds from financial institutions' projects.

In addition to the above, 23% of the respondents noted that over dependence by borrowers on bank funds is yet another cause of poor credit management by Financial Institutions. In financial terms, credit far in excess of the borrower's contribution imposes debt-servicing obligation against the borrowers that are large relative to their cash flows and increase the probability of failure to pay as scheduled.

Over 21% of the respondents noted that poor credit monitoring techniques is another cause of poor credit management by Financial Institutions. The respondents noted that most financial institutions mainly commercial banks in South Sudan lack monitoring techniques and that this has caused losses to financial institutions.

The remaining 22% of the respondents noted that financial institutions have involved themselves in risky portfolio concentration. This is in a way that an individual bank's portfolio contains an excessive level of credits to a single client, an industry or geographical location. This renders the bank vulnerable to adverse changes in the area of concentration and to security impairment. In relation to the above, loan officers may ignore the true condition of a borrower with strong personal ties to the bank.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter was concerned with the summary of the study, conclusion and recommendations.

5.1 Summary of the study

The research on “the credit management and the sustainability of financial institutions in South Sudan: a case study of Nile Commercial Bank-Juba Branch. The research was guided by research objectives which included; finding out how Financial Institutions manage Credit in South Sudan, finding out the challenges of Credit management in financial institutions in South Sudan, and establishing the causes of poor credit management by Financial Institutions.

On finding out how financial institutions manage credit in South Sudan, the study revealed that; determination of payment period, decision on form of contract, assessment of credit worthiness, and contacting credit reference bureau. On the challenges of credit management in financial institutions in South Sudan fraud, lack of credit management software, poor record keeping, and poor coordination with other banks

On the causes of poor credit management by Financial Institutions Lack of knowledge, over dependency on borrowers, poor monitoring techniques, involvement in risky portfolio concentration. Conclusions and recommendations were then made after the summary of the study.

5.2 Conclusions

The goal of credit risk management is to maximize a bank's risk adjusted returns by maintaining credit risk exposure within acceptable parameters. The complexity of banks' credit management depends on the level and type of credit risk assumed and the bank's ability to absorb losses. Banks manage their credit differently; however, more emphasis has been on the management of the transaction risk through the credit granting, collection process, and credit review.

From the above it can be concluded that there is a positive relationship between credit management sustainability of financial institutions, because with implementation of sound credit management systems, level of loan recovery is high due to the reduced number of non- performing loans which are a result of adequate credit analysis and monitoring techniques.

Although new structures were introduced and recommendations made regarding internal controls, such structures were in some instances shallow, while some of the key recommended measures such as improving risk management either lacked policies to guide their execution or were simply not implemented. There is great need for the bank to improve on credit period, credit limit, cash discounts before advancing credit.

5.3 Recommendations

The procedures in the previous chapter have laid a firm foundation upon which recommendations can be drawn from the study in light of the study objectives.

The Management of financial institutions should ensure that the credit and debt management/collection staff work as a team, excellent liaison and communication skills especially when identifying business risks and how to minimize bad debts.

Lending limits should be established to avoid undue concentration of credit. Banking laws in most countries limit the amount a bank can lend to any single borrower or group of

related borrowers so that in the event of these borrowers going bust lending bank does not incur losses.

Ineffective monitoring and supervision due to lack of loan tracking systems, logistical support all are competent staff force is a common weakness for banks in South Africa. Banks are compelled to monitor projects for which they make loans in order to ensure that the proceeds of their loans are used for approved purposes and that proceeds for the loan are used at least cost.

Financial Institution should engage the stakeholders in identifying problems in debt collection performance in order to get results. This is healthy for financial accountability and recovery of loans. Engaging the stakeholders in designing measures so as to follow up projects to ensure the loan agreements are implemented and also credit period being adequate and satisfactory to all her customers.

Furthermore, financial institutions bank should ensure that it acquires latest record keeping software like debt management software that would it effectively manage debts. The world is developed and many banks are doing well because of adoption of better technological software that help do work properly while minimizing losses.

5.4 Areas for further research

The study did not exhaust all possible variables that affect credit policy and debt collection performance thus more investigation should be conducted in the following variables under.

1. Credit policy and profitability
2. Service quality and debt collection performance
3. Customers ability to pay and debt collection performance
4. Micro Economics instability and destruction performance

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APPENDICES

APPENDIX 1-RESEARCH INSTRUMENTS (A) RESEARCH QUESTIONNAIRE

Kampala International University
College of Applied Economics and Management Sciences
Department of Accounting and Finance.
P.O. Box 20000 Kampala.

Dear respondent,

I am Kuel Justine a student of Kampala International University carrying out a research on *“Credit management and the sustainability of financial institutions in South Sudan. A case study of Nile Commercial Bank (NCB)”* I therefore, kindly request you to provide me with the necessary answers to this Questionnaire; you are however promised utmost confidentiality in the data provided.

NB. Please do not write your name on this questionnaire.

SECTION A: BIOGRAPHY

- a) Sex:
- b) Age:
- c) Department:
- d) Position held:

SECTION B: How Financial Institutions manage Credit

1. Do Administrators, use credit management tool of performance?
- Yes ☐ No ☐

If yes what credit management tools do they employ?

.....
.....
.....
.....

2. Is there a daily/weekly follow of the financial activities of the organization by the top management?

a) Yes []

b) []

3. Are there some internal control systems that are used by the organization for its operations?

Yes

☐

No

☐

If yes, tick the type applicable

(i) Definition and allocation of responsibility

(ii) Segregation of duty.

(iii) Delegation and reporting

(iv) Over all supervision control

(v) Arithmetical and accounting accuracy e.g. checking totals, reconciliation, trail balances and accounting for records.

(vi) Comparison of expenses with budgets.

(vii) Access to assets by authorized personnel only.

SECTION C: Impact of Credit management

Credit management has an effect on management of performance.

Strongly agree ☐

Agree ☐

Don't agree ☐

Disagree ☐

4. Does credit management act as pressure device?

Yes []

No []

Give reasons for your answer.

.....
.....

5. Credit management act as a motivation tool

Strongly agree ☐

Agree ☐

Don't agree ☐

Disagree ☐

SECTION D:

(i) How do Financial Institutions manage their credit?

- (a)
- (b)
- (c)
- (d)
- (e)
- (f)

(ii) What are the challenges of Credit management in financial institutions in South Sudan?

- (a)
- (b)
- (c)
- (d)
- (e)
- (f)

(iii) What are the causes of poor credit management by Financial Institutions?

- (a)
- (b)
- (c)
- (d)
- (e)

(b) INTERVIEW GUIDE TO THE RESPONDENTS

1. Are Organization employees trained in credit management course?
2. Does financial planning act as pressure device?
3. Does financial planning act as a motivation tool?
4. Does credit management have an effect on the performance of NGOs?
5. How do you plan and manage the finance/ funds.
6. Who is involved in credit management?
7. What are the sources of funds?
8. What challenges do financial institutions face in financial management?
9. What are your opinions on credit management?
10. What are the ways to embrace good credit management?
11. How does poor credit management affect the performance of Financial Institutions?
12. How do good financial planning practices contribute to effective performance of financial institutions?

APPENDIX II

BUDGET:

The study is estimated to cost 495,000/= arrived at as follows:-

ITEM	COST (UGSHS)
Stationary and other related costs	150,000
Transport	200,000
Communication	50,000
Photocopy	20,000
Typesetting and binding	50,000
Internet	15,000
Subsistence	25,000
Miscellaneous	35,000
Total	545,000

APPENDIX III: TIME FRAME

ACTIVITY	February-November 2012													
	Feb	Feb	Mar	Mar	May	May	May	Jun	Jul	Aug	Sep	Oct	Nov	Nov
Conceptual phase chapter 1														
Designing and writing phase chapter 3														
Proposal submission														
Data collection														
Analytical phase chapter														
Dissertation submission revisions														
Final book and copy														
Defense preparation														