

KAMPALA INTERNATIONAL UNIVERSITY

**A RESEARCH REPORT ON THE TOPIC: MICRO FINANCE
CREDIT POLICIES ON LOAN REPAYMENT.**

**CASE STUDY: CENTENARY RURAL DEVELOPMENT BANK LTD
(CERUDEB), IBANDA BRANCH**

**A RESEARCH REPORT SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF
BACHELOR OF BUSINESS ADMINISTRATION (ACCOUNTING)
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DECLARATION

I declare to the best of my knowledge that this work is my original work and has not been presented to this university or any other institution for academic purpose or otherwise where other people's work has been used, reference has been made.

Signature.....*Nagaba*
NAGABA PNLOPE TRUSSY
(CANDIDATE)

Date.....*7th July 2009*

APPROVAL

This to approve that Nagaba Penlope Trussy carried out study entitled micro finance credit policies on loan repayment a case study centenary rural development bank, Ibanda branch. She has been under my supervision as a university lecture for the ward of Bachelor of Business Administration (accounting option) of Kampala International University.

Signature.....

Date.....

27/07/2009

DEDICATION

I dedicate this work to my supervisor Mr. Sunday Arthur for the ever encouraging advice that he always gives me. My faience Karokora Julius, and the management of centenary rural development bank, Ibanda branch

ACKNOWLEDGEMENT

I acknowledge that my training was good because of the following people, who helped me to achieve the skills for example,

The human resource department who helped me to get the background and the organization structure of centenary rural development bank.

My gratitude to all those who have limitlessly assisted and encouraged me during at my stay at Kampala International University. To my course mates, I appreciate your contributions.

God bless you

NAGABA PENLOPE TRUSSY

ABSTRACT

The research study was undertaken on the micro finance credit policy on loan repayment.

The research was based on three objectives as,

- i. To analyze the relationship between credit policies on loan repayment.
- ii. To examine and evaluate loan repayment in the bank
- iii. To establish the credit policies applied in centenary rural development bank.

To achieve the study objectives, the researcher collected data from both primary and secondary sources, which data was from records, interviews with clients, annual reports from other institutions, observations and attending centenary rural development bank promotional activities.

The study came up with various recommendations such as; data bank should be set up in the country for banks to acquire information about applicant logistics. That plays a role in credit schemes. Insurance against robbery and theft, borrowers who fail to pay.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Micro finance is a fast growing and dynamic part of Uganda's financial sector, which recognizes the importance of informal sector as a source of employment and income generation for the society and thus a potential tool for poverty alleviation.

According to Muhammad Yunus, micro credit means agricultural credit or rural credit or co-operative credit or consumer credit, credit from the savings and loan associations for time credit unions or from money lenders.

The types of loans given in Centenary Rural Development Bank include salary loans given a period of two years maximum period of two years, Agricultural loans at maximum of one year, commercial micro finance at maximum of one year and home improved loans given a period of two years maximum.

However, some loans are not repaid back due to the problem of over financing by the institution, which scares the clients, and they end up failing to return back. This is due to poor governance of micro finance credit policies.

David Opio Okello (1997) stated that good governance policies and practices help build confidence in the industry as it assures savers that their money is safe. This is highlighted in various provisions of the micro finance taking institution's Act such as the board and the appointment and duties of the finance manager internal auditor and external auditor. Thus institutions licensed under the micro Finance Deposit Institution's Act will be expected to be transparent and accountable and have in place good policies to ensure good governance.

The fact that the membership is currently 91 out of an estimated 500 micro finance institutions is an indication of the work that still remains to be done to develop this segment of the financial sector. The challenge therefore is to strike a balance between the needs of the institution and the needs of the client. The need to retain clients for your type of business seems to be crucial especially in an environment in which they have demonstrated a tendency of moving from one institution to another fairly easily. It is therefore of a paramount importance that the micro finance credit policies and their operation are regularly and closely monitored to ensure safety of members funds. This will enable the clients to pay back loans efficiently.

1.2 Statement of the Problem

The enactment of micro finance came with a lot of changes in the operation of credit policies in commercial banks. This has led to both positive and negative impact on loan repayment by the beneficiaries. It has been observed that in Uganda people lacking investment culture will lead to failure to acquire loans or get them but fail to return the loans to bank. Some clients have had at times to diver funds to activities which were originally not declared to the bank, and this affects loan portfolio by increasing arrears rate. (Otono Charles 1999)

This is due to over financing by these institutions. The character and integrity of customer is very important for good performance and effective loan repayment. It is hoped that good micro finance credit policies will go along way to streamline their operations for financial institutions by monitoring the credit policies and loans to customers.

1.3 Purpose of the Study

The purpose of the study examined the effect of credit policies on loan repayment in Centenary Rural Development Bank.

1.4 Objectives of the Study

- (i) To analyze the relationship between credit policies and loan repayment.
- (ii) To establish the credit policies applied in Centenary Rural Development Bank.
- (iii) To examine and evaluate loan repayment level in the bank.

1.5 Research Questions

- (i) How are credit policies applied in Centenary Rural Development Bank Ltd?
- (ii) What is the loan repayment level?
- (iii) What is the relationship between credit policies and loan repayment?

1.6 Scope of the Study

The scope covered types of credit policies in macro finance in Centenary Rural Development Bank, their relevance, relationship between credit policies constraints and possible remedies.

1.6.1 Geographical Scope and time scope

The study covered Centenary Rural Development Bank Ibanda Branch, Ibanda District. The researcher considered three years that is 2000 to 2002.

1.7 Significance of the Study

The study is aimed at strengthening the effectiveness of accounting practices and credit policies. This benefited policy makers, management of the Centenary Rural Development Bank and other organization with information on how to improve their credit policies on loan repayment and performance. It also intends to provide for operational efficiency and adherence to prescribe in resource use which is a key factor in a modern business environment.

- a. Scholars and academicians may be induced to carryout further study based on these research findings.
- b. The study provided more literature on credit policies and accounting practices, which can be used to enable further research.

The study identified and exposed the problems faced by scholars arising from accounting procedures, which are inappropriate, and not according to general accounting principles governing the accounting system.

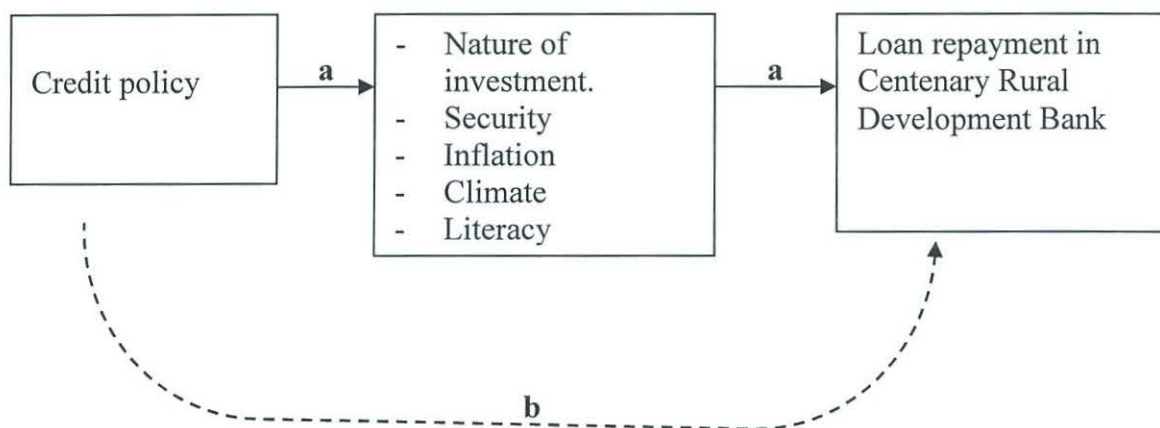
1.8 Conceptual Framework

The conceptual framework therefore helps to define the research topic through the explanation of the variable within the research topic.

These are independent variables which predict, determine, control and influence the dependent variables. We also have intervening variables through which the independent variables, and at times they work hand in hand. For this purpose of this research, the independent variable is credit policy and the dependent variable is loan repayment. Intervening variables may include political stability and security, inflation rate, climate, levels of literacy and many others.

This can be illustrated using a diagram as shown below:

Conceptual model



Source: Literature Review

a - Shows that independent variables may work through intervening variable to influence dependent variable.

b - Shows that independent variable may directly influence dependent variable. This therefore leads to the topic of research, **MICRO FINANCE CREDIT POLICY AND LOAN REPAYMENT.**

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter provides a critical review of issues that have been explored and studied both theoretically and empirically in the existing literature on credit policy management. This literature shows a predominant role of private sector. Therefore, the literature is got from textbooks dealing in credit policy management and surveys of credit policy management practices in Banking institutions and internet searchers. This mainly covers the effect of credit management policies on repayment levels of the borrowers.

Banking institutions assist low-income earners to set up their own businesses to earn a living. These include NGOs (Non Government Organizations) credit and saving corporations, self help groups, private companies and others.

Banking institutions help mainly in finance services and other related services like training how to administer financial development of self confidence and management capabilities among others, therefore it's simply a banking and development.

2.2 The Credit Policy Management Concept

It is a collection of assets that a business and individuals own. The objectives of credit policy management are to maximize profitability and liquidity. The concept of credit policy management is the process of allocating and managing assets. If you throw your money in a handful of investments and never think about them again, you may have a credit, but you are not practicing credit management. (www.mlnsoft.com).

Credit policy management takes time from senior managers. This is because it takes additional time to manage a credit as a group from members of the steering committee.

In Uganda since 1988, commercial banks have registered a decreasing trend on the performance on loans due to poor credit policies that has led to the closure of some banks (Musalizi, 1998).

2.2.1 Importance of Credit Policy Management

The objectives of credit policy management are to maximize profitability and liquidity. Credit policy management is a process to ensure that your company spends its scarce resources on the work that is of most value to the organization. If credit policy management is practiced, then this process helps to ensure that only the most valuable work is approved and managed. The value of utilizing a credit policy management approach includes;

- (i) Improved resource allocation
- (ii) Improved alignment of the work
- (iii) Improved balance of work
- (iv) Changed focus from cost to investment
- (v) Increased collaboration between senior managers and other departments
- (vi) Enhanced communication
- (vii) Increased focus on when to 'sell'

The above are of an advantage to banks if credit policy is properly selected and managed. Brownbridgr and Harvey, (1998) observed that banks often continue their bad lending policies; resources are frequently used prudently leading to large numbers of non-performing loans and under capitalized banks. The large inefficiencies in the banking system in Uganda have resulted in great loss. As a result, Uganda has had signs of individual bank crises and the central bank has had to intervene depending on the gravity of the problem of the bank in question.

According to Nkanja of Uganda Commercial Bank, financial resources in banks and financial institutions represent national savings, which must be utilized efficiently so as to

generate a desirable response in the economy. Each bad loan given out is not only a loss to the individual but to the economy as a whole. Bank loan credit must perform to allow a continued flow of funds to economically viable activities that increase the stock of investment upon which any country's growth and development essentially depends.

In most African economies, there are inadequate savings, capital and credit because the population is still at or only slightly above subsistence levels. Both the absolute and relative capacity of indigenous capital formation is quite limited and collateral securities do not exist. African savings are among the most liquid in the world since they are in terms of small cash hoards that remain idle and cannot be mobilized through the banking the banking and investment mechanisms for the use by other entrepreneurs (Geiger and Armstrong, 1964).

Shekhar and Shekha (2001) talks about Janakiraman which was constituted to inquire into the irregularities committed by banks and financial institutions were submitted in April 1993. This report sets out the overall findings. The findings reiterate the nexus between brokers' financial institutions and banks and the banks and the subsidiaries covered in the reports consciously sought to circumvent the Reserve Bank's guidelines on credit policy management services so as to enable financial companies' access large funds for use in the stock market for huge profits. The reports have identified four key factors in the penetration of irregularities:

- i. Improper and indiscriminate use of Bankers Receipts
- ii. Bank's failure to periodically reconcile investments and complete breakdown of internal control system in a number of Banks. The committee has observed that as a consequence of these irregularities, the investment credits have been fragile and weak.

Lehman (1998), also remarked that by the mid of 1998, banks in Asia (excluding China and India) had nearly US \$ 13,580 billion in assets of which 15% were problem loans which added up to US Dollar 1,080 billion due to poor credit policies contributing to this

alarming state of affairs. The performances on loans of Chinese banks have suffered bad and non-performing loans to defaulting debtors in order to protect the bank's balance sheet and to maintain the viability of the borrowers.

2.2.2 Problems of Credit Policy Management

The following areas describe reasons why it will be difficult to implement credit policy management. Senior managers in a bank need to be aware of these as well as so that they make sure that they do not consciously or unconsciously fall into these traps. (Internet: www.Mlsnsoft.com)

- (i) It's difficult and now some people thrive on change and may even get bored doing things the same year after year.
- (ii) Managers may be uncomfortable subjecting their projects to additional scrutiny. Some projects are important to senior managers but they might not make sense to other senior executives.
- (iii) It's hard to reach group consensus. Some level of consensus has to be reached and it is not easy to reach a consensus with senior managers. The credit policy management process will break down if managers do look out for the bank's best interest rather than their own.
- (iv) You never have all the information you need. Senior managers are used to making decisions based on less than complete information.
- (v) They are tough to make. Groups of people need to get together and make decisions on what to get funded and what not to get funded. Managers are paid to make these types of decisions but it is not easy.
- (vi) Credit policy management takes time from senior managers. It requires additional time from the members of the steering committee and senior managers.

2.3 Credit Management Dilemma

Every institution that offers credit has to be with a credit management policy, which will enable them to get returns and repayments from their clients.

Grima (1996) “it’s useful to have credit approach which suits their objectives (to run a cost effective scheme) due to the high cost of dealing in small scale credit provision”.

A lender may use the threat of cutting of credit to desired behavior of an individual that in general the borrower hormonally want to avoid default on loans because it troubles their reputation and limit their access for future credit desires. Stiglitz (1983) it’s basically informal to inter-link credit policy contracts that may provide means to alleviate the problems of screening and enforcing loan conditions to show the relationship of the lender and borrower is expected to play a greater role in enforcement of contacts and repayments, according to Undry (1990).

2.3.1 Ojono (1997) Minimalist Credit Modal

This refers to programmes that provide credit and no other assistance like training technical assistance, marketing and alike. This approach is done in two dimensions.

i) Group Based

That is lending through sub-groups by the institution, in foundation for international community assistance help rural and urban families in their village banking programmes where credit is disbursed in form of small loans to individual women who are organized in group of about 10-40 members or more, but in sub-groups or 5 members.

ii) Individual based credit

These individual are given loans.

2.3.2 Credit plus approach

Training, technical assistance and savings are integral to the lending activity, foundation for international community assistance is under this approach because it provide training, gives technical assistance and alike or how to handle finances putting them in confidence hardworking and alike most of these approaches are done most in micro-finance institutions like FINCA, FAULU and PRIDE

2.3.3 General principles.

Grima, (1996), Ojono (1997) Gongopadhyay and Sentulta (1987) Wanyaa Topher 2001) state that it's important to analyze the credit applicants to ensure that they will be able to meet the repayment terms and the interest rates. In credit analysis, credit analysts gather information from loan officers on there clients status like history of repayment, other sources of finance and alike so that the analysts makes reports and guidelines on the administration of loan. Since it is risky to recover the loan given out, some client use it for unproductive ventures like purchasing there own clothing's, food stuffs and alike yet they may not give returns to meet the repayments. Therefore it's useful to analyze the applicant such that the default risk is detected. According to Edminister in his book "financial institutions markets and management" flat granting credit is intrinsically risky, some people are going to 'skip' and others become bankrupt become bankrupt causing a loss to the institution, therefore to manage the credit properly, the institution has to have a good credit policy so as to minimize risk and maximize benefits.

Therefore, a good credit policy should contain repayment terms, interest rates, type of loans collateral financial invectives collection terms 'as methods so as to help fulfill the objective of the organization.

2.3.4 Micro-finance credit policy

as described by different institutions and authors

- **Types of Loans**

Micro-finance institutions basically provides short-term loans and the members choose themselves, the principle is that each member should know the capabilities of other member in a group and acts as a guarantee on the loan given out.

Brown (1993) shown in his study of micro-credit and small-scale entrepreneurs in El Salvador reported that Grupos Solodanias Agropecuarios (GSA) provides working capital for agricultural production by establishing a line of credit that allows for the diversification of production on small farms. He further reported that another programme Grupos Graneros Unfamiliares (GGU) promotes effective marketing by providing credit to implement a suitable grain preservation and storage infrastructure. For example, through (GGU) programme, rural households are providing with a metallic silo (costing around US \$75) as a loan.

Loan Amount

Centenary bank in its credit management manual (2000) the proposal for loan amount is stipulated as below:

Small and short term loans are advanced to members of about 50,000 to 1,000,000 depending on the repayments and savings available to act as security in the village banks account.

- A small group size 5-10 business people get a minimum individual loan of Ug Shs 400,000 and a Maximum of 500,000.
- The grace period of two weeks after which the following weeks starts repayments in installment of about four to eight months depending on the amount given out.

All these credit policies the clients have to agree to repay the principle loan, interest rate and other collection terms.

Interest Rate

Originally the term prime rate used to refer to rate of interest charged to a bank's most credit worthy customers. The interest rate in some institution is fixed on the loan and sometimes changes in the bank base rate. The decision in favor of fixed or floating rate for a given loan depends on the view of both the borrower and the lender concerning future rates. The fixed rate enables the borrowers to know their interest costs in advance.

Interest rate 'are fixed according' to the economic condition in each country, however, the countries where government policy control interest rate fee are used more often to cover costs. **Attoman (2000)**

Repayment Period

Action plan on revised loan manual (May 1995) reveals that, the repayment period and length of the grace period shall be agreed on during the appraisal base on the type of the project. Unless the credit requirements the projected cash flows, of the borrowers knows the repayment promptly.

Gomez (1998) clients always satisfy with the repayment period on their loans there some exception this is because the terms will depends more on the size of loan than cash flows of the borrowers.

Repayment Mechanisms

These are grouped in different categories include:

a) Financial Incentives

In this aspect there is a basically different category that is the system where no new loans are advanced to members before full or nearly full repayment has been established. However, today centenary bank has changed if the member has remained with a quarter of the loan it's possible to give him or her another loan of the saving available is favorable to it.

Adats, South India, where they match every loan repaid in time with a great of the same amount to the credit fund. This repayment has to be ensured by other mechanisms as soon as the matching grant system reaches its ceiling and has to be gradually stopped.

Collateral

Otto (1998) point out that collateral is a traditional sense only used when microfinance provide-credit although 'this has been' illogical to most borrowers because the absence of such collateral is one of the major inhibiting factors for getting access to formal credit. Women face mostly this problem but women's world Banking (WWB) has solved this problem by acting as co-guarantors for women that obtain loans.

Close Monitoring and Fund Management

Otto (1999) in his study of NGO's in micro-finance by close monitoring or the interest payment and repayment of loans. Noted that NGO's can avoid the impressions lenders get that obtained loan are not loan in actual sense it's a form of granting money.

Bauman (1997) some credit co-operations have a loan redemption fund to cover the losses that occur due to each or permanent disability of a borrower 1% each loan is credited to the fund time a member borrows.

Collection Procedures

These number of collection procedures that are employed.

Gitman (1976) identified different collection methods

Letters: These are sent immediately the account is in arrears and they can be sent into two or three times.

Telephones: These are used due to possible failures from letter system.

Personal visits: This is when credit officers visit these clients to see exactly what is there.

Girma (1996) remarks that, to protect loan losses, micro-finance should ensure

themselves against the possibility of non-repayment by clients although these increases the cost of borrowing which then become a problem to small borrowers and this lead to more savings in financial assets, reduced risk and potential losses and increases investment.

2.4 Relationship between Micro Finance Credit Policies and Loan Repayment

The repayment of loan depends on many factors but especially the favorable credit Policies and other factors. They' include collateral security interest rates paid which many customers complained about and the repayment period. Collateral affects .the loan repayment is such way that staff knows that failure to payback loan, the collateral will be taken. They tend to relax and ignore the payback period.

Interest rates also affect the loans since they are high and fixed on the loan and may be a burden to the borrower when paying back.

Micro finance Institutions plays many roles in enhancing the repayment of loan by building a saving culture in their customers since it constitutes part of their collateral security and increase capital for loan repayment. Micro finance is also providing training and skills in development of self-confidence, financial literacy and management.

Capabilities for the enterprise such that loan repayment is done steadily and fast.

2.5 CONCLUSION

Despite the fact income promotion is based on loans from micro finance institutions, its appropriateness as a strategy for loan repayment in case of poorest people is questionable (Montgomery 1996).

Therefore, there is a debate on whether the credit policies may lead to deterioration in the quality of loan repayment that should receive immediate attention of the banks. Most of the micro finance institutions customers pay the loan with difficulty and others default and

at times loose even the already existing property due to failure to pay. Some clients have had at times to divert funds to activities which were originally not declared to the bank.

It is argued that the character and integrity of customer is very important for good performance and effective loan repayment.

It's hoped that good micro finance credit policies will go along way to streamline their operations of financial institutions by monitoring the credit policies and loan given to customers.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter the discussion of methods used in collection of the debts for this study are laid down, mainly contain the study area; research design, sample size, sampling design, targeted population sampling procedures, research instruments, data sources, data analysis and problems encountered.

3.2 Research Design

It is a conceptual structure with in which a research is conducted. There fore in this study, the research intends to be both qualitative and quantitative research design. The quantitative design used to show the effectiveness of credit management policies while qualitative design used to show the feelings, opinions, attitudes and knowledge of all research participants.

3.3 Survey Population

The population to be surveyed to achieve the research objectives included customers and employees of centenary bank.

3.4 Sample Size

A sample of 40 respondents will be identified to fill the questionnaires and also be interviewed.

3.5 Sampling Procedure

In order to determine the sample the research used purposive sampling to decide who out of the population is to be included in the study. This method will be used as it provides information.

3.6 Study Proportion

The women entrepreneur includes those clients that access credit of 50,000 to 1,000,000 who deal mainly in small and medium businesses.

3.6.1 Targeted Population

The research basically considered borrowers of the age of 24-45 years basically women in small and medium businesses.

3.7 Data Collection Methods

These will mainly be primary and secondary methods

3.7.1 Primary Methods

These were used to collect original information connected to the variable under the study. Interview and questionnaires are mainly used in this method.

3.7.2 Secondary Methods

The researcher mainly used journals, Textbooks, reports, World Bank Publication and Newspapers.

3.8 Research Instruments

The researcher used the following research instruments.

3.8.1 Questionnaires

These are commonly used to collect information about the population. And the researcher used two types of questionnaires.

i) Structured closed ended questions. These are accompanied by a list of all possible alternatives from which respondents select answer that best describes their situation.

The researcher used this type because of the following reasons.

They are easier to analyze since they followed by alternative answers.

The researcher finds it easier to administer since each item is followed by alternative answers.

They are economic to use in terms of time and money

ii) Unstructured or open questions. Refers to questions where the respondents are given a complete freedom of response.

The researcher used this type also because of the following reasons.

It permits a greater depth of response to the respondents.

It stimulates a person to think about his feelings or motives and express what he considers important to be most important.

3.8.2 Interview Guide.

These are questions that are set by the researcher to guide him in an interview process.

This is done by the researcher so that he may not leave the stone unturned.

3.9 Data Sources

The information mainly may be collected in following areas: -

- Foundation for international community assistance
- Institute of Bankers
- Economic policy research centre
- World bank library
- Kampala International University Libraries.

3.10 Data Analysis and Presentation

Data analysis is the process that brings order into data collected in ways, which enable the researcher to make sense of the data.

Quantitative data for each response given to be acquired and percentages is to be used to enable data is tabulated to allow for meaningful interpretation of information. Qualitative data may be analyzed by attaching codes to classify response to avoid ambiguities cumbersome data and length data. In this study analysis will be heavily shaped by the theoretical framework within which the study is conducted.

3.11 Problems Anticipated and Solutions.

Costs

The whole process of research involves costs. These include computers services, transport fees, photocopying service and other. My fellow friends who contributed some money for me solved this.

Time

Getting the relevant data needs time to go to the bank and libraries like. The loan officers are also ever busy and may not have enough time to attend to me. I managed these through tireless efforts of visiting the place all the time and convinced them that I was caught up by time.

Bureaucracy

The main problem to be encountered is bureaucracy in the Bank's management system, where before data is released from any department of bank, directive have to be sent from the overall chief executive of the bank to the respective managing directors of the Bank to the respective managing directors of the departments that have the necessary data on Bank's operations. This was solved by some loans officers who said should help me so that I may be encouraged to join them.

CHAPTER FOUR

PRESENTATION, INTERPRETATION OF THE FINDINGS

4.0 Introduction

This chapter deals with presentation and interpretation of findings. Findings presented concerning the importance of micro finance credit policy and loan repayment on centenary rural Development Bank in Uganda.

4.1 Background Information

This contains general information or characteristics of respondents as being presented and analyzed using frequency distribution tables as below.

4.1.1 The gender of Respondents

The respondents were requested to identify their gender and the following were the responses.

Table 1. Shows gender of respondents

Gender	Frequency	Percentage
Male	20	68.7
Female	10	33.3
Total	30	100

Source: Primary data

The majority of respondents were male with 68.7% while female respondents were 33.3%.

There fore, this shows that the is gender balance at least in centenary rural development bank and for this matter credit policies and loan repayments becomes easier to both sides.

4.1.2 Period spent by employees

The question that was asked was to find out the period, which the employee has spent in the organization, the following were the responses.

Table 2. Shows the periods spent by the respondents in the organization

Period	Frequency	Percentage
Under 4 years	5	18
4 years – 8 years	25	82
Total	30	100

Source: Primary data

From the above table, most employees have spent more time in the organization over 4 years – 8 years with 82% while those under 4 years were 18%. The 82% shows there's high experience among the workers which help much in promoting credit policies and loan repayment techniques in centenary rural development bank.

Other information from the bank staff in the credit management was thought through questionnaires.

Table 3. Showing respondents' Profile

Period	Frequency	Percentage
Credit manager	2	6
Loan officers	25	82
Credit supervisors	3	12
Total	30	100

Source: Primary data

Majority of the respondents were loan officers 82%, credit supervisors were 12% while credit managers were 6%.so this shows that there is a big chance in managing credit policies and loan repayments as well in centenary rural development bank.

4.2 Procedures for Applying for a Loan

The finding showed that loan applicants are directed to the loans department where a loan officer attends to the customer.

In the preliminary discussion, the loan officer verifies the customer's request and decides whether the applicant should go ahead to purchase an application form.

The applicant may be advised against pursuit of the loan if;

- He/she lacks an established business
- He/she lacks the necessary expertise
- He/she lacks the necessary experience
- He/she belongs to a risky sector of the activity as may be defined by the Head Officer

If the above requirements are fulfilled, the applicant will go ahead to pick the application form.

4.3 Evaluation of the Credit Variables

It was showed from the findings that after the borrower have applied for a credit facility; his or her application is further analyzed.

The assessment of the worthiness of a borrower is seen under five headings capital, collateral, capacity and condition.

Table 4. Showing Credit Standard at Centenary Rural Development Bank

Period	Frequency	Percentage
Capital assessment	7	24
Capacity assessment	5	16
Character assessment	2	4
Collateral assessment	13	48
Condition assessment	3	8
Total	30	100

Source: Primary data

4.3.1 Collateral Assessment

Findings in table 4 showed collateral as an evaluation of credit worthiness of a borrower is a very crucial in Centenary Rural Development Bank and this was considered 1st out of the 5CS and also had the biggest percentage of 48.

According to Centenary Rural Development Bank's loan policy and procedures guidelines approved on the loan has to be secured by a combination of fixed and or movable assets, and or a personal guarantee.

For security to be acceptable by Centenary Rural Development Bank, it should possess certain qualities, so that it can serve the purpose for which it is meant. The qualities should be of value, marketability, transferability, and validity. The most common securities that are acceptable by Centenary Rural Development Bank are;

- (i) Land title documents
- (ii) Leasehold title
- (iii) Customary

From the above, collateral is seen as a strong element in Centenary Rural Development Bank as far as credit management is concerned.

4.3.2 Capital Assessment

From the findings in table 4, capital was considered 2nd out of the 5CS by the respondents and also had a percentage of 24 implying that capital is an important factor in the assessment of the credit applicant.

However, it was showed that individual wealth could not easily be identified and that some individuals do not prepare financial statements hence a weakness to Centenary Rural Development Bank.

4.3.3 Capacity Assessment

Capacity also had a percentage of 16 indicating that the bank uses it. Capacity is assessed to ascertain the customer's ability to settle obligations promptly.

Findings from the questionnaires showed that most of the respondents when asked to rank in order of importance the criteria Centenary Rural Development Bank uses to assess the applicants, respondents considered capacity out of the 5CS.

Centenary Rural Development Bank does this by examining the projected cash flows and risk associated with these cash flows. The bank looks at the liquidity position of the project to determine resources available to meet the obligations as they fall due.

4.3.4 Condition Assessment

From table 4 of the findings, the respondents agreed that Centenary Rural Development bank assesses the quality applicants using condition and this was out of the 5CS but it is not a very crucial factor since it had the second smallest percentage of 8.

The bank makes an assessment of the environment, in which the business (borrower) is going to operate, which environment can affect the ability of the borrower to pay the loan. The economic, political and other aspects of the environment can affect the ability of the

borrower to pay the loan Centenary Rural Development Bank normally carries out the market analysis in which the borrower is going to operate. However, the economic conditions are unpredictable and thus the bank faces a great challenge in this aspect.

4.3.5 Character Assessment

From the findings, character was not considered as a crucial factor for applying for a loan in Centenary Rural Development Bank. It was less important out of the 5CS by the respondents and also had the smallest percentage of 4 as indicated in table 4.

Here bank seeks to get information about the applicant as regards his/her past payment patterns.

Bank requires also information on the company's ownership and management business activities and trading history including Audited accounts but this is not easy for the bank.

Findings further showed that the loan period does not exceed six months for working capital loans. For commercial purposes it's recommendable to give loans for up to 3 months. For current customers, the loan period can be extended to 12 months (loan officer).

According to Centenary Rural Development Bank's loan policy and procedure guidelines, Loan terms at Centenary Rural Development Bank are clearly spelt out in the loan contract between the borrower and the bank.

The most pertinent conditions are the following.

The bank has the right to recall the loan at any time before the payment period lapses.

Table 5. Showing how Interest rate affects the loan

	Respondents	Percentages
Strongly agree	10	33
Agree	8	28
Strongly disagree	5	18
Disagree	4	14
Uncertain	3	10
Total	30	100

Source: Primary data

From the above study, 61% agreed that interest rates affects the repayment of loans, while 32% disagreed that interest affects, however, 10% were uncertain. Following this information, it shows that however much credit policies and loan repayment methods are put in place still those high interest rates will affect the credit policies and loan repayments.

Interest rates charged on loans by the bank are based on the effects of the loan in form of lending and repaying.

Interest is calculated and charged on a “declining balance” basis.

All recovery costs, and other costs like mortgage fee, are paid by the borrower.

All fees are disclosed in the loan agreement

From the above, loan terms are seen as strength in Centenary Rural Development Bank as far as credit management is concerned and with these loan terms, Centenary Rural Development Bank’s performance is improving every year.

Table 6. Showing loan terms in Centenary Rural Development Bank

Loan terms	Percentage
Interest rate	14%
Monitoring fee	1.2% per month
Commitment fee	2% but for automatic loan fee is 0.5%
Penalty fee	0.5% per day

Source: Secondary data

4.4 Credit Collection Efforts

Centenary Rural Development Bank normally wishes a loan to be paid on schedule. However, not all beneficiaries pay their dues as per the terms of the offer letter some of the beneficiaries do not pay schedule.

As a result, the bank uses various collection efforts to ensure that it reclaims back its money that was lent out.

Summary of loan repayment methods in support of table 6 above

Loans 1-30 days in arrears

Loans more than 30 days in arrears

First visit after loan is in arrears, second visit, and use of the client contact documentation

Quick action in case of non-compliance of the above

Presentation of post dated cheques by the loanee sale of securities (vehicles, other chattel items, land legal action)

Source: Secondary data

4.4.1 Recovery for loans 1-30 days in arrears

Here the loan officer first visits the customer as soon as his name appears on the arrears list.

On this visit, they agree on when the customer should pay his loan in arrears. On the

second visit, a client contact documentation form is used.

It's used to reach a new agreement with the customer on a new repayment level. Additional securities can be added in case of non-compliance to the newly drawn up agreement, quick action is taken to execute the conditions in the loan agreement and or the client contact documentation form. Because non-compliance of the bank's side implies a weakness of which customers can take advantage.

4.4.2 Recovery methods for loans more than 30 days in arrears

Here the loan officer resorts to the following

- (i) Presentation of post-dated cheque
- (ii) Sale of securities and legal action is taken where all the above mentioned methods have failed.

The above loan recovery methods are strength in the bank's credit management.

4.5 Loan Disbursement to the Customers

Findings showed that in Centenary Rural Development Bank, disbursement of loans even if all factors regarding security have been completed satisfactorily and have been approved in terms of deposition of securities, signatures of guarantors, the bank still faced some difficulty.

Table 7. Problems Encountered in Loan Disbursement

Problem	Percentage				Total
	SA	A	D	SD	(%)
Required information is not readily available	92	8	-	-	100
Funds are released late	30	47	23	-	100
Inadequate securities of clients	80	20	-	-	100

Source: Primary data

4.5.1 Required Information not Available

92% of the respondents strongly agreed that appraisal takes sometime if the required information is not readily available, like audited accounts.

This may necessitate the use of auditors to audit the accounts on which the bank can base its assessment of the credit worthiness of the borrower.

This in turn may cause a delay in the loan disbursement of the credit facility to the borrower.

4.5.2 Inadequate Security of Clients

Findings also showed that 80% of the respondents strongly agreed that inadequate securities of clients affect the loan disbursement procedure.

Sometimes perfection of the securities may take some time especially when registering mortgages, insurances, debentures and resolutions.

4.5.3 Funds released late

Findings further showed that 30% of the respondents strongly agreed that some borrowers do not get the loan funds for what they want to do in time. So this affects the plans of the client and in the long run as well affects repayment procedures due to not using the funds at the right time.

4.6 Other Problems Encountered

Sometimes if the applicant has not borrowed from the bank previously, a time gap of up two weeks to one month is reasonable to collect and analyze data before recommendation, yet the client may need the loan at short notice.

This hence makes borrowers fail to get the loan in time for what he/she wants to do. The above problems weaken Centenary Rural Development Bank's credit management.

4.7 Credit Monitoring

In assessing the credit monitoring exercise, respondents were asked whether they visit the beneficiaries to see the performance of the loans, how often these visits were made and also whether borrowers use funds for what they were applied for. Findings showed that in Centenary Rural Development Bank all outstanding loans are closely monitored with the aid of the computer system, reports are generated by the system on a daily, weekly and monthly basis and these are used by the branch management and head office for monitoring and control of the arrears rate, and general quality of the lending business. Findings further showed that some of the borrowers divert the funds, usually to long-term investments and also due to speculation, funds are diverted to obtain quick returns. This is mainly due to the poor credit culture of the business community.

4.8 Problems Encountered in Loan Monitoring

The findings also showed that there are several problems encountered in the loan monitoring process.

Table 8. Response on problems encountered in credit monitoring

Problems	Frequency	Percentage (%)
Lack of enough logistics	14	44
Limited staff	4	8
Weather	5	20
Inaccessibility of the client	7	28
Total	30	100

Source: Primary data

4.8.1 Lack of Enough Logistics

Findings established that 44% of the respondents cited lack of enough logistics as one of

the problems facing the bank in credit monitoring exercise. This increases high chances of loan defaulters thus a loss to the bank

4.8.2 Limited Staff

8% respondents cited limited staff as a problem encountered in loan monitoring exercise by the bank. This increases loan defaulters with in centenary rural development bank.

4.8.3 Weather

20% of the respondents who were given the questionnaires cited bad weather as a problem hindering loan monitoring. This increases high chances for clients to use the funds provided the way they wish. And this leads to loan defaulters as well.

4.8.4 Inaccessibility of Clients

28% respondents cited inaccessibility of the clients as one of the problems encountered by the bank in the credit exercise. Obviously this leads to load defaulters.

4.9 Loan Defaults

Findings showed that the bank had some loan defaulters and some of the major causes of loan default were as suggested in the table 9 below.

Table 9. Response on causes of loan defaults in the Centenary Rural Development Bank

Cause	Percentage				Total
Poor project evaluation	85	10	5	0	100
Poor management	90	10	0	0	100
Natural calamity	70	13	17	0	100
Poor economic condition	60	40	0	0	100
Diversion of loan funds proceeds	65	25	10	0	100

Source: Primary data

4.9.1 Poor Management by the Clients

Findings in table 9 showed a very high figure of 90% respondents strongly agreed that poor management is one of the causes of loan defaults.

The bank has established that sometimes the projects over which the loan has been extended have people who do not have enough management expertise in such projects.

They tend to manage them poorly and as a result, fewer returns are realized as compared on what was projected. Thus a loss to the bank.

4.9.2 Diversion of Loan Funds Proceeds

According to the findings 65% of the respondents strongly agreed that this factor is one of the causes of loan default; that some borrowers divert the proceeds to other ventures instead of servicing and repayment of the credit facility.

4.9.3 Poor Project Evaluation

Findings showed a relatively high figure for poor project evaluation with 85% revealing that the respondents strongly agreed that this factor is one of the causes of loan default.

Projects can anticipate higher revenues and fewer expenses, which might not be the case

and this affects the loan repayment programmes. Thus they end up making more expenses than expected which leads to the failure to pay back the loan as well as becoming a defaulter.

4.10 Poor Economic Conditions

The findings in table 9 showed that 60% of the respondents strongly agreed with this factor as a cause of loan default.

That increases in taxes, operating expenses; foreign exchange fluctuations and competition from import lead to non-realization of profits and eventually cause default on the loans.

4.10.1 Natural Calamities

Findings further showed that 70% of the respondents concur with this factor as a cause of loan default.

Borrowers usually argue that natural calamities befall them and as a result; they lose out in their investments. This is so common with loans extended to agricultural investments where the agriculturalists almost entirely depend on natural factors like the availability of the rains. Borrowers also argue that droughts, pests and diseases among others, attack them and lose out in their investments thus the causing of loan default.

4.11 Other Causes of Loan Defaults

4.11.1 Lack of Accountability

The bank has noted that in some cases, lack of accountability in the management of the projects that are set up is another cause of the loan defaults. Money is spent wastefully and no accountability is made.

As a result, much is spent yet less is realized as revenue thus causing loan default.

4.11.2 Failure of the Bank to Disburse the Credit Facilities in Due Time

This is another reason for default on the loans. Investment opportunities tend to run away from these borrowers and therefore they realize less profits compared to what they thought they would have realized had they got the credit in time.

The above mentioned causes of loan default affect the performance of commercial and Centenary Rural Development Bank in particular.

Actually, loan default is a weakness to the bank and also leads to poor performance of banks.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

In this chapter, the study summarized the main findings of the study, conclusions and recommendations.

It is important to high light on the study objectives given in chapter one, section 1.4 of this study.

This study had three objectives and these are;

1. To establish how the credit policies are applied in centenary rural development bank.
2. To examine and evaluate loan repayment level in the bank
3. To access the constraints in credit policies and to analyze relationship of loan repayment.

Both questionnaires and personal interviews were used to collect most of the data, which was then coded and analyzed into table and percentages.

5.2 Summary of the Main Findings

5.2.1 Summary of Findings on Loan Disbursements

Findings showed that assessment of the credit standards that is based on which character, capital, condition and collateral are done before a loan is extended to the applicant. Collateral and capital are the most crucial of the 5CS while character is the least.

However, findings also showed that the bank faces problems especially due to forgery of documents.

Credit terms are always set to help Centenary Rural Development Bank come up with

amount of credit to be extended to customers.

The credit committee does credit disbursement after thorough analysis of the facility applicant. This is approximately done to ensure that the bank does not incur a lot of bad debts losses.

Also credit monitoring is done to ensure that the credit facilities advanced are performing well, such that the bank is sure that its money will be repaid back on schedule.

5.2.2 Summary of Findings on Collection Procedures

The bank needs the loan collection policy because not all customers do pay their bills in time.

This policy aims at accelerating collection from slow payers and reducing bad debts. Centenary Rural Development Bank's collection procedures are fairly good. The recovery rates of the bank are relatively high.

5.3 Conclusion

Despite the fact that credit management is a very big challenge to the many commercial banks in Uganda, especially the indigenous ones, this function has been handled relatively well in Centenary Rural Development Bank.

Following the findings of the study, the credit standards are assessed before extending credit to the loan applicant.

Questionnaires showed that Centenary Rural Development Bank considers collateral first followed by capital, capacity, condition and lastly character in order of importance and they had 48%, 24%, 16%, 8% and 4% respectively.

The study findings indicated that credit terms are set during the extension of the loans. The interest rate is 22% on loans, monitoring fee is 2%, commitment fee is 2% but for

automatic loans it is 0.5% and lastly penalty interest is 0.05% per day.

However, the clients are not involved in the setting of these terms which partly explains the insufficient facilities recovery of loans of the bank, and hence failure to achieve the targeted performance.

Collection procedures of Centenary Rural Development Bank are fairly good. Looking at table 1, it's evident that the arrears rate of Centenary Rural Development Bank are declining and this indicates that performance is improving.

However the bank still faces some cases of loan defaults and these are mainly attributed to poor management, diversion of loan funds proceeds, lack of accountability, poor project evaluation, natural calamities befall the borrowers, failure of the bank to disburse the credit facility in due time and the poor economic conditions.

5.4 recommendations

Below are a few recommendations to those concerned with credit management function in commercial banks and Centenary Rural Development Bank in particular.

5.4.1 Data Banks

These should be set up in the country such that the bank can easily acquire information on applicant from the data bank.

When information is readily available in such banks, this will improve on the credit analysis of the applicant leading to reduction in loan default.

5.4.2 Logistics

It should be noted that logistics play an essential role in the credit scheme. These are necessary not only to facilitate constant monitoring and control but also to facilitate in proper screening of applicants and fast processing applicants.

5.4.3 Insurance

From the findings, the study found out that robbery and theft make borrowers fail to pay back. Therefore, the borrowers must insure their business with reliable insurance companies and take preventative precautions.

5.5 Areas for Further Research

The researcher suggests that there is need to look at other areas like reasons for loan defaulting, interest rates and their effect on loan repayment, the role of micro finance institutions in rural economic development and improvement on female participation in decision making and other causes of delay in loan repayment.

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APPENDIX A

KAMPALA INTERNATIONAL UNIVERSITY

CUSTOMER RESPONDENTS

QUESTIONNAIRES: SURVEY ON MICRO FINANCE CREDIT POLICY AND LOAN REPAYMENT (CASE STUDY CENTENARY RURAL DEVELOPMENT BANK)

Dear Respondents,

I am a student of Kampala International University conducting a research on “Micro Finance Credit Policy and Loan Repayment”. The case study of Centenary Rural Development Bank as part of the requirements for the award of the degree of Bachelor of Business Administration (Accounting) of Kampala International University.

Your response will be treated confidentially and all the information provided will be published only in a statistical operation be highly appreciated.

A. Background Information

1. Name
2. Sex Male ☐ Female ☐
3. Age of respondents
 - a) 20 – 30 years ☐
 - b) 30 – 40 years ☐
 - c) 40 – 50 years ☐
 - d) Over 50 years ☐
4. Educational level
 - a) None ☐
 - b) Primary ☐
 - c) Secondary ☐
 - d) Tertiary ☐

5. Is Centenary Bank having an established loan department?

a) Yes ☐ b) No ☐ c) Not sure ☐

6. Do you have any loan from Centenary Bank?

a) Yes ☐ b) No ☐

7. If your answer is yes in No. 6, what kind of loan do you have?

a) Overdraft ☐

b) Long term loan ☐

c) Consumer loan ☐

d) Car loan ☐

e) Capital loan ☐

8. From which sector are you grouped into?

a) Agriculture ☐ c) Fishing ☐

b) Business ☐ d) Services ☐

B. Credit Evaluation

9. My capacity to use the loan and repay it is considered by the bank when getting a loan.

Strongly agree	Agree	Strongly disagree	Disagree	Uncertain
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

10. My capital initially contributed in my businesses in called for when I am getting a loan.

Strongly agree	Agree	Strongly disagree	Disagree	Uncertain
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

11. The bank always asks me for a security as collateral before giving me a loan.

Strongly agree	Agree	Strongly disagree	Disagree	Uncertain
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

12. My character and integrity is considered when evaluating me for a given loan.

Strongly agree	Agree	Strongly disagree	Disagree	Uncertain

13. I am satisfied with the way I am evaluated before I am given a loan.

Strongly agree	Agree	Strongly disagree	Disagree	Uncertain

14. The way I am evaluated encourages me to services and repays the loan.

Strongly agree	Agree	Strongly disagree	Disagree	Uncertain

C. Maximum Loan Amount of a Client

15. Centenary and has maximum amount to which it can lend a specific groups of clients.

Strongly agree	Agree	Strongly disagree	Disagree	Uncertain

16. Approximately there is a maximum amount the bank can lend to you?

Strongly agree	Agree	Strongly disagree	Disagree	Uncertain

17. I am satisfied with the size of loan I get from Centenary Bank.

Strongly agree	Agree	Strongly disagree	Disagree	Uncertain

18. What is the pay back period in the loan?

Strongly agree	Agree	Strongly disagree	Disagree	Uncertain

19. Are you satisfied with their payback period?

a) Yes ☐ b) No ☐ c) Not sure ☐

D. Interest Rates Charged on Loans

20. Centenary Banks interest rates are uniform with other banks?

Strongly agree	Agree	Strongly disagree	Disagree	Uncertain

21. Centenary Bank charges me high interest on loan(s) extended to me.

Strongly agree	Agree	Strongly disagree	Disagree	Uncertain

22. High interest rates affect the way I pay back my loan.

Strongly agree	Agree	Strongly disagree	Disagree	Uncertain

23. Given reduction in the interest on loan, I can pay and take new loans.

Strongly agree	Agree	Strongly disagree	Disagree	Uncertain

E. Procedures for collection default loans

24. The bank has procedures for collecting loans from me in case I fail to pay back the loan

Strongly agree	Agree	Strongly disagree	Disagree	Uncertain

25. Centenary Bank collects only principal from me in case I default on the loan.

Strongly agree	Agree	Strongly disagree	Disagree	Uncertain

26. The bank collects both interest and principal from me in case I default on loan.

Strongly agree	Agree	Strongly disagree	Disagree	Uncertain

27. The bank credit management policy affects my loan repayment pattern.

Yes	Uncertain	No

28. Explain what should the management of Centenary bank do about its credit in order to ensure that you effectively pay your loan(s)

.....

.....

.....

Thank you very much for being part of this academic research.

KAMPALA INTERNATIONAL UNIVERSITY

QUESTIONNAIRES FOR MANAGEMENT AND STAFF

QUESTIONNAIRES: SURVEY ON MICRO FINANCE CREDIT POLICIES AND LOAN REPAYMENT.

CASE STUDY OF CENTENARY RURAL DEVELOPMENT BANK

Dear Respondents,

I am a student of Kampala International University conducting a research on "Micro Finance Credit Policy and Loan Repayment". The case study of Centenary Rural Development Bank as part of the requirements for the award of the degree of Bachelor of Business Administration (Accounting) of Kampala International University.

Your response will be treated confidentially and all the information provided will be published only in a statistical operation be highly appreciated.

A. Background Information

1. Department
2. Position in the bank
3. Sex Male ☐ Female ☐
4. Age of respondents
 - a) 20 – 30 years ☐
 - b) 30 – 40 years ☐
 - c) 40 – 50 years ☐
 - d) Over 50 years ☐
5. Number of years in the bank
 - a) Under 4 years ☐

b) 4 Years – 8 years ☐

B. Tick the appropriate alternative or fill accordingly

6. Is lending the main banking service offered by the Centenary Bank?

Yes No

If no, what are other banking services offered by the bank?

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

7. Are commercial loan the most popular category of loans in Centenary Bank?

Yes No

If no, what are other loans offered by the bank?

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

8. Is collateral used as the main credit standard design of Centenary Bank?

Yes No

9. What are the other standards used by the bank?

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

10. What dimensions of the character of the client are looked at to give a clear picture of the loan applicant?

a) Professional standing ☐

b) Age and gender ☐

- c) Society standing ☐
- d) Any other specify
11. How is the ability of the applicant to pay determined?
- a) Through financial statements ☐
- b) Through financial on the city of client ☐
- c) Through references, e.g. Bankers ☐
- d) Any other specify
12. Is land the main security used to secure credit in Centenary Bank?
- Yes No
13. What efforts are designed to recover funds from clients in an optimal manner?
- a) Systematic reminders ☐
- b) Insurance policy ☐
- c) Litigation ☐
- d) Any other specify
14. How does Centenary Bank collect its bad debts/loans
- a) Undertakes its own collection ☐
- b) Appoint a collection agent ☐
- c) Any other specify
15. What makes the biggest composition of the loans list of Centenary Bank?
- a) Public enterprises ☐
- b) Politicians ☐
- c) Private business firms ☐
- d) Any other specify
16. How do you rate loan default of Centenary bank clients?
- a) Very high ☐ c) Low ☐
- b) High ☐ d) Very low ☐
17. Does Centenary Bank really recover all the bad loans?
- a) Yes ☐
- b) No ☐

- c) If not, why
18. Which of the following factors mainly accounts for the high credit risk in Uganda?
- a) Negligent loan assessments due to over reliance on collateral ☐
 - b) A weak legal frame with which does not facilitate loan recovery ☐
 - c) Lack of appropriate loan classification and provision standard ☐
 - d) Unreliable valuation report by some professional firms ☐
19. What is the main source of revenue of Centenary Bank?
- a) Interest income ☐
 - b) Dividend income ☐
 - c) Fees and commission income ☐
 - d) Foreign exchange gains ☐
 - e) Any other specify
20. How has Centenary Bank been performing for the last 4 years?
- a) Only profits ☐
 - b) Only losses ☐
 - c) Profit with losses ☐
21. What are the main operating expenses of Centenary Bank?
- a) Administrative costs ☐
 - b) Bad and doubtful debts expense ☐
 - c) Interest expenses ☐
 - d) Depreciation ☐
 - e) Any other specify
22. Is there any relationship between credit management policy and profitability in Centenary Bank?
-
-
23. What most describes the profitability of Centenary Bank over 4 years
- a) Gradual improving ☐
 - b) Gradual reducing ☐

c) No pattern ☐

d) Any other specify

24. What trend do you think bad debts have been taking in the last 4 years in centenary banks?

a) a) Gradual improving ☐

b) Gradual reducing ☐

c) No pattern ☐

d) Any other specify

25. What areas of credit management policy in Centenary Bank do you believe need improvement?

(ii)

(iii)

(iv)

(v)

26. What do you think are the limitations of profit maximization and effective loan repayment in commercial banks?

(i)

(ii)

(iii)

(iv)

Thank you for your cooperation