

Debt Management And Financial Performance Of Organizations. A Case Study Of Equity Bank In Nansana

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Abstract

The study aimed at the relationship between debt management and financial performance of organizations with a case study of equity bank in Nansana and it was guided by the following objectives; to examine how debt pricing affects financial performance at Equity bank, to find out how debt vetting affects financial performance at Equity bank and to assess how debt collection affects financial performance at Equity Bank. The study was carried out at Equity Bank Retail Credit Department with a population of 380 who majorly handle the debt management process in the bank and also clients of the bank and the researcher used probability sampling techniques known as stratified random sampling which involved systematic sampling and non-probability sampling method such as census which considered the entire population to collect data. These sampling techniques was used because they were the most suitable to this study as the population size of the strata were small to allow for census and also able to get the respondents in one location.

From the findings, a total of 78.4% of the customers agreed that they paid other fees and commissions besides the interest rate charged while 19.4% did not yet 10.4% indicated that they were not sure suggesting that only about 2/10 customers did not pay other fees and commissions. A total of 76.4% of the customers indicated that interest charged was too high while only 14.5% disagreed yet 7.4% were not suggesting that about 8/10 customers felt that the interest charged on their debts was unreasonably too high. The study recommended that for sustained financial performance; the board, management and staff of commercial banks should always ensure that the responsible persons always carry out robust and in-depth vetting exercises with emphasis on historical customers account performance and capacity to pay.

Keywords: Debt Management, Financial and Performance Of Organizations

Background to the Study

The banking sector is one of the most important sectors in the economy. It is therefore important to monitor and manage their financial performance (Akankwasa et al., 2022). This was done using ratios, return on assets, interest income, cost-to-income ratio and other factors such as net profit after tax and net operating profit. Lending is the core business of most commercial banks and as such the debt portfolio is the largest asset and predominant source of income; and as such is one of the biggest sources of risk for the bank and therefore its management is of utmost importance (Paul et al., 2023). Debt portfolio problems have historically been a major cause of bank losses and failures (Amos et al., 2024).

Performance according to Shane and Venkataraman (2017) is defined as the extent to which an organizational resource fulfills the defined goals or set objectives of the Organization. Performance may seem to point to a causal relationship between nonprofit ownership and economic performance (Christopher et al., 2022). Depending on the specific characteristics of the industry and the firm, one might expect that foundation-owned companies would fare worse (or, more rarely, better) than a control group of common stock companies. Performance is measured against specific set goals that are realistic based on past performance; they are timed through quarterly evaluations and benchmarked against key performance indicators such as revenue and billings (Ramadhan, Alex, Ariyo, et al., 2023).

In the study, we focused on performance measured in financial terms using measures of efficiency and market profit, although these measures were clearly biased towards the goals of non-profit firms (Julius, 2024a). Other performance indicators such as growth or survival can be strong indicators of competitiveness.

Furthermore, (Ntirandekura, Ainebyoona, et al., 2022) examines the possible interaction between debt and firm performance using a system of simultaneous equations. He proposes two alternative hypotheses for this inverse relationship. The first hypothesis focuses on the most successful companies. In the latter case, the most successful companies reduce their debt levels to protect shareholders' wealth from the risk of bankruptcy (Ramadhan, Alex, Ariyo, et al., 2023).

Uganda's banking sector plays a key role in the country's economic development by providing financial services to individuals, businesses and the government. Banks are key players in mobilizing savings, facilitating investment and promoting economic growth. The regulatory framework in Uganda set by the Bank of Uganda (BoU) shapes the operations of the banking sector. The BoU lays down guidelines and regulations to ensure stability, transparency and accountability in the financial system. A joint-stock bank faces challenges in managing its debt portfolios (Alex & Moses, 2024). These issues may include interest rate fluctuations, credit risk and economic uncertainties. Effective risk management strategies are necessary to mitigate these problems (Derrick et al., 2023).

Statement of the Problem

Despite controls that have been put in place, such as a credit reference agency that monitors debt repayment and performance, along with regular monitoring of bank controls and performance by the central bank, Equity Bank's financial results over the past four years show a decline in profits. from Ugandan shillings 15.9 billion to negative 4.7 billion shillings, a 68% decrease (Ntirandekura, Friday et al., 2022). Although the joint stock bank was third in asset share in Uganda in terms of asset value with 13% among the economy of more than 10 commercial banks and also had a 14.3% market share (Julius, 2024b), it ranked third in terms of client deposits in the Ugandan banking industry, has an extensive branch network with more than 20 branches across the country, has consistently shown a decline in reported net profits and high fluctuating levels of bad debts between 2016 and 2019 as a result of debt management that includes debt valuation, debt screening and debt collection, which are some of the variables that played a major role (Winny et al., 2023). Impairment losses on debts and advances over four years totaled 60.2 billion Ugandan shillings against a debt of 486 billion shillings, resulting in a real need to investigate the impact of debt management on financial performance (Polycarp et al., 2023). Therefore, the study will seek to find out whether there is indeed a significant relationship between debt management and financial performance in Equity Bank (Promise et al., 2024).

Purpose of the study

The main purpose of the study was to investigate the impact of debt management on financial performance of organizations. Taking Equity bank in Nansana as the case study

Specific Objectives:

1. To examine how debt pricing affects financial performance at Equity bank
2. To find out how debt vetting affects financial performance at Equity bank
3. To assess how debt collection affects financial performance at Equity Bank

Methodology

A case study design was used which involved in-depth, contextual analyses of debt management and financial performance at Equity Bank (Olanrewaju & Abiodun, 2021). The research design was useful because it allowed the researcher to narrow down a very broad field of research into one easily researchable topic as stated by (Kinyata & Abiodun, 2020). The study was carried out at Equity Bank Retail Credit Department with a population of 380 who majorly handle the debt management process in the bank and also clients of the bank (Olanrewaju et al., 2021b).

Sample Size and selection

Table 1: Study population and sample structure

Category of staff	Population	Sample Size	Sampling technique
Senior Credit Management	7	7	Census
Finance staff	4	4	Census
Debt pricing staff	3	3	Census

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Retail Credit staff (policy, MIS, collectors, vetting)	70	36	Stratified sampling random
Clients	296	50	Stratified sampling random
Total	380	100	

Adapted from R.V. Krejcie and D.W. Morgan 1970, cited in Amin, (2015)

Sampling was the process of selecting a sufficient number of elements from a population so that studying that sample and understanding its characteristics allowed the researcher to generalize the results to the elements of the population (Olanrewaju et al., 2021b). The researcher used probability sampling techniques known as stratified random sampling, which included systematic sampling and a non-probability sampling method, such as the census, which considered the entire population when collecting data. These sampling techniques were used because they were most appropriate for this study as the population size in the strata was small to allow enumeration and also to be able to get respondents to one location (Olanrewaju et al., 2021a).

The study used qualitative and quantitative data collection methods. Qualitative methods included the use of open-ended questionnaires and interviews on debt management and financial performance, while quantitative methods included the use of closed-ended questionnaires (Nafiu et al., 2013).

It was an oral questionnaire administered using an interview guide and was administered face-to-face with respondents. The interview guide had a set of questions that the interviewer asked the respondents and the questions were open-ended to allow the interviewer to elicit detailed information. It was good to use because it provided the researcher with rich data through probing questions and produced a higher response rate mainly because it is difficult for the respondent to completely refuse to answer or ignore the question (Aslam et al., 2022). This study will be administered by the senior credit management team and the pricing and finance team as they specialize in the areas of pricing, financial reporting and decision making in the bank compared to the rest of the staff (David et al., 2023).

The questionnaire was a pre-formulated set of written questions to which respondents recorded or ticked their answers within narrowly defined alternatives (Sekaran, 2019). Self-administered questionnaires were used for clients and employees of retail loans. The researcher used both open and closed questions (Nafiu et al., 2012). Open-ended questions allowed respondents to answer in any way and according to how they felt. Closed-ended questions helped the respondents to make a quick decision by having them choose from several alternatives. Self-administered questionnaires are a good choice of instrument because they are cheaper (Nafiu et al., 2017).

Analyzes based on numbers were inferential and descriptive. It helped the researcher to describe the motivational climate and performance of employees in a joint-stock bank at the time of the study using descriptive statistical measures (Jallow et al., 2022). Correlation and multiple regression were examples of inferential statistics. Multiple regressions were used to examine the amount of variance in employee satisfaction, while Pearson's correlation helped assess the nature and strength of associations. Quantitative analysis was performed using SPSS (Nelson et al., 2022).

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Interview data has been sorted for completeness. Qualitative aspects were categorized, patterned and emerging themes were found using content analysis. Simple quotes and corresponding questions were combined with the quantitative results for emphasis. Verbatim statements reflected respondents' true feelings about debt management and financial performance.

RESULTS

Debt pricing and financial performance at Equity Bank

Table 1: Showing the mean and standard deviation for debt pricing in EB

	N	MEAN	S.D
1. Cost of funds is considered when determining debt pricing	26	2.12	1.14
2. Pricing is within reasonably confined ranges with guidance linking to cost factors	26	2.19	1.13
3. There are exceptions to the pricing done for some clients without considering costs involved	26	2.25	1.17
4. Cost of funds component is covered by the interest rate determination	26	1.64	0.81
5. Some administrative costs in procuring debts can be eliminated to reduce costs whilst maintaining the standards	26	2.08	0.98
6. The number of staff in debt sales and administration is enough to carry out the required tasks	26	1.85	0.88
7. Administration expenses are considered in determining interest rates in EB.	26	1.85	0.83
8. Bulk of the debt processing work is system automated	26	2.88	1.21
9. There is criteria to determine which debt type is riskier than the other before pricing is done	26	1.65	0.85
10. All debts carry the same risk and should be priced the same	26	4.58	0.70
11. It is wrong to use historical data to determine the risk level of a debt for pricing	26	3.88	1.21

Source: Primary data 2024

Table 1 above shows that the staff agreed that at EB, cost of funds was considered when determining debt pricing (Mean = 2.12, Standard deviation 1.14) while they also agreed that pricing was within reasonably confined ranges with guidance

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linking to cost factors (Mean 2.19, Standard deviation = 1.13). The staff respondents equally agreed that there were exceptions to the pricing done for some clients without considering costs involved (Mean 2.25, Standard deviation = 1.17) while they also indicated that cost of funds component was covered by the interest rate determination (Mean 1.64, Standard deviation = 0.81) (Micheal et al., 2024). These particular findings on debt pricing suggested that EB was conscious of effective debt pricing which requires consideration of costs of acquiring the funds to lend out and the resultant debt prices should be reasonable. The findings equally suggested that debt pricing although needs incidences of special considerations, the interest charged should cover the cost of fund for a particular debt.

Similarly, table 1 above shows that, the respondents agreed that some administrative costs in procuring debts can be eliminated to reduce costs whilst maintaining the standards (Mean 2.08, Standard deviation = 0.98) while they also indicated that the number of staff in debt sales and administration was enough to carry out the required tasks (Mean 1.85, Standard deviation = 0.88) (Alex & Devis, 2023). The respondents equally agreed that administration expenses are considered in determining interest rates in EB (Mean 1.85, Standard deviation = 0.83). The observation here is that EB considered administrative costs relating to debt procurement, debts personnel and debt expenses such as verifications and vetting in its debt pricing strategies. Thus effective debt pricing should consider the administrative costs associated to the debt a client seeks to acquire from the bank.

The staff respondents equally indicated that there was a criterion to determine which debt type was riskier than the other before pricing was done (Mean 1.65, Standard deviation = 0.85). On the other hand, the staff strongly disagreed that all debts carried the same risk and should be priced the same (Mean 4.58, Standard deviation = 0.78) while they disagreed that it was wrong to use historical data to determine the risk level of a debt for pricing (Mean 3.88, Standard deviation = 1.21) suggesting that debt risk assessment needs to be considered in debt pricing (Ramadhan, Alex, Kazaara, et al., 2023).

Table 2: Customers Knowledge of Debt pricing

	Yes		NO		Not sure		Total	
	Freq	%	Freq	%	Freq	%	Freq	%
(i) I know how interest rate is determined	25	45.5	19	34.5	11	20	55	100
(ii) Interest calculation is explained to borrowing Equity customers	30	54.5	19	34.5	6	10.9	55	100
(iii) I know the importance of the interest rate charged	38	69.1	5	9.1	11	20	54	98.2

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(iv) I pay other fees and commissions besides the interest rate charged	41	78.4	6	10.4	6	10.4	53	96.4
(v) Interest charged is too high	42	76.4	8	14.5	4	7.4	54	98.2

Source: Primary data 2024

Table 2 above shows that only 45.5% of the customers knew how interest rate was determined and 34.5% were not certain while 20% indicated that they were not sure suggesting that about 5/10 (half) of the customers did not know how interest rates were determined. Similarly, 54.5% of the customers acknowledged that interest calculation was explained them and 34.5% did not receive interest rates calculations while 10.9% were indicated that they were not sure suggesting that about half of the customers did not receive interest rates explanations for the debts they borrowed from the bank (Polycarp et al., 2023).

Table 2 further shows that a total of 69.1% of the customers knew the importance of the interest rate charged while 9.1% did not know yet 30% indicated not sure suggesting that only 3/10 customers on overall did not know the importance of interest rates charged on the debts they borrowed calling for a need to explain to customers the importance of interest rates on debts by the bank. A total of 78.4% of the customers agreed that they paid other fees and commissions besides the interest rate charged while 19.4% did not yet 10.4% indicated that they were not sure suggesting that only about 2/10 customers did not pay other fees and commissions. A total of 76.4% of the customers indicated that interest charged was too high while only 14.5% disagreed yet 7.4% were not suggesting that about 8/10 customers felt that the interest charged on their debts was unreasonably too high.

Debt pricing significantly affects financial performance of Equity Bank.

The study sought to establish the extent to which debt pricing predicted the variance in the variance in the financial performance and the findings are presented in following subsection.

Debt vetting and financial performance in Equity Bank

Table 3: Showing the mean and standard deviation for debt vetting in EB

	N	MEAN	S.D
1) The credit reference bureau in the country is instrumental in debt vetting process	26	2.31	1.05
2) Accounts with poor performance are not granted additional credit	26	2.08	1.26
3) There are no cases of undue influence on the credit team from senior management	25	2.48	0.87

4) Sometimes there are errors due to mistakes from the Vetting team in studying account performance	26	2.23	1.14
5) Vetting process is clear, objective and generally consistent with Equity standards	26	2.24	1.05
6) In all instances EB considers ability to pay before a debt is granted	26	1.50	0.51
7) Special credit terms are granted to certain customers on a case by case basis regardless of capacity to pay	26	2.50	1.39
8) Additional information about the credit applicant is always sought from external sources before credit is given	26	2.42	1.06
9) A third party reviews all debts to ensure customer is not overstretched with debt repayment amount	26	3.81	1.10
10) Capacity to pay is considered even if collateral to cover the whole debt is provided	26	1.42	0.72
11) Overall the debt files provide adequate evidence of due diligence done on borrowers' ability to repay	26	2.65	1.23

Source: Primary data 2024

Table 3 above shows that the respondents agreed that the credit reference bureau in the country was instrumental in debt vetting process (Mean = 2.41, Standard deviation = 1.05) while they also agreed that accounts with poor performance were not granted additional credit (Mean = 2.08, Standard deviation = 1.26). The staff further agreed that there were no cases of undue influence on the credit team from senior management (Mean = 2.48, Standard deviation = 0.87) while they agreed that sometimes there were errors due to mistakes from the Vetting team in studying account performance (Mean = 2.23, Standard deviation = 1.14). These findings suggested that although the EB can be credited for considering account performance, use of a credit reference bureau and avoidance of undue influence in the debt vetting process, some errors were noticed which leads to inaccurate account performance debt venting considerations by EB (Turyatamba & Turyasingura, 2024).

The staff agreed that Vetting process was clear, objective and generally consistent with Equity standards (Mean = 2.24, Standard deviation = 1.05) while they also agreed that in all instances EB considered ability to pay before a debt was granted (Mean = 1.50, Standard deviation = 0.51). The staff further indicated that additional information about the credit applicant was always sought from external sources before credit was given (Mean = 2.42, Standard deviation = 1.06) while they strongly agree that capacity to pay was considered even if collateral to cover the whole debt was provided (Mean = 1.42, Standard

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deviation = 0.72). These findings generally revealed that the bank was conscious of the customer's capacity to pay and in their debt vetting process efforts were undertaken to put in place debt vetting objectives, policies and procedures to guide assess the customers capacity to pay debt requests. This observance of the debt vetting process could contribute to a good financial performance position as it will be tested in the correlation analysis.

On the contrary the respondents disagreed that a third party reviewed all debts to ensure customer was not overstretched with debt repayment amount (Mean = 3.81, Standard deviation = 1.10) a revelation that EB undertook less efforts if any to gain an objective position of evaluated debts from a third party in their debt vetting undertakings.

The respondents were not sure if special credit terms were granted to certain customers on a case by case basis regardless of capacity to pay (Mean = 2.50, Standard deviation = 1.39), and if on overall the debt files provide adequate evidence of due diligence done on borrowers' ability to repay (Mean = 2.65, Standard deviation = 1.23) leaving questions of if special consideration (if any) needed to be awarded to certain customers and if the debt vetting process of capacity to pay was reliable in as far as the information provided on customers files. In an interview with the vetting and assessing managers, they explained what exactly they consider in account performance. This they said included:

"Looking for signs of excesses on the accounts, unpaid cheques, inconsistencies of the credits on the account, rejected standing orders. If any of these were observed, then chances of the customer getting a debt were minimized. However, customers are not given an opportunity for a face to face interview with the assessor to explain the reasons for the account performance".

Table 4: Customers experiences of the debt vetting process on EB

Debt vetting	SA		A		NS		DA		SDA	
	F	%	F	%	F	%	F	%	F	%
- I am aware of what the bank looks out for before approving a debt	19	34.7	25	45.5	9	16.4	1	1.8	1	1.8
- I know how to maintain my account performance to the	20	36.4	24	43.6	8	14.5	2	3.6	1	1.8
banks' satisfaction										
- Sometimes there are uncontrollable circumstances that prevent me from paying on time	13	23.6	21	38.2	3	5.5	11	20.0	7	12.7

- I believe in face to face interviews with the debt approving manager before a debt is granted or denied.	24	43.6	19	34.5	2	3.6	8	14.5	2	3.6
- The payment terms are not communicated clearly before the debt is granted.	7	12.7	13	23.6	2	3.6	25	45.5	7	12.7
- Equity Bank considers the customer's ability to pay before a debt is granted	31	56.4	17	30.9	5	9.1	2	3.6		
- Equity bank considers all the customer's source of income to determine capacity to pay	18	32.2	16	29.1	11	20.0	10	18.2		
- I am consulted and involved in making the repayment schedules	16	29.1	12	21.8	3	5.5	17	30.9	7	12.7

Source: Primary data

Table 4 above shows that the 80.0% (34.5% for strongly agree +45.5% for agree) of the customers indicated that they were aware of what the bank looked out for before approving a debt while the 20% (16.4%+1.8%+1.8%) were not aware of what the bank looked out before approving a debts finding which suggested that 8/10 EB borrower were aware of what EB vetting processes and criteria. Another majority of 79.0 (35.4%+ 43.6%) as compared to 11% of the respondents indicated that they knew of how to maintain their account performance to the banks' satisfaction suggesting that about 8/10 EB borrowers appreciated and undertook efforts to maintain their account performance to qualify for debt requirements during the debt vetting process (Nelson et al., 2023).

Similarly, 61.8% (as compared to 38.2% who disagreed) of the customers agreed that sometimes there were uncontrollable circumstances that prevented them from paying on time suggesting that about 6/10 borrowers were at one time constrained to pay a debt on due date due to some constraints. Another 78.1% believed in face to face interviews with the debt approving manager before a debt was granted or denied suggesting that about 8/10 customers appreciated the manager's meetings of the debt vetting process and took it to have a fair outcome. Only 36.3% of the borrowers agreed that the payment terms were not communicated clearly before the debt was granted as compared to 58.2% (45.5%+12.7%) who disagreed suggesting that about 4/10 customers did not receive a communication on the payment terms before signing for the debt (Polycarp et al., 2023).

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This put debt repayment in precarious condition calling for a need by the management of the EB to ensure that all debt borrowers are feed with clearly defined debt payment terms before taking up their debts.

A total majority of 87.3% of the respondents indicated that EB considered the customer's ability to pay before a debt was granted while the rest felt that they did not, implying that overall 9/10 customers were conscious of the banks interest in the customer's capacity to pay as a vital debt vetting process. Another 61.3% of the borrowers agreed that EB considered all the customer's source of income to determine capacity to pay while 20% were not sure and 18.2% disagreed suggesting that about 6/10 EB borrowers were aware of the need for credible sources of income to that reinforces the customer's positive outcomes of the debt vetting (Musimenta et al., 2017). Lastly, a total of 50.9% of the customers indicated that they were consulted and involved in making the repayment schedules while 43.6% indicated that they were not consulted suggesting differential consultation for debt scheduling by the bank.

Debt collection and financial performance in Equity Bank**Table 5: Mean and Standard deviation results for debt collection**

	N	Mean	S.D
Article I. EB has dedicated a/c managers to handle debt payments from customers	26	1.81	0.85
Article II. Invoicing to customers on payment dates is done immediately debt has been granted	26	2.42	0.99
Article III. Adequate training is carried out for the EB collectors to up their skills	26	2.38	1.06
Article IV. Regular personal visits are done by the debt collection team to follow-up debts	26	2.69	1.16
Article V. EB collections department uses up to date technology in debt collection	26	2.27	1.31
Article VI. Occasionally members of senior management get involved in collection of debts	26	2.31	1.32
Article VII. Occasionally the legal department is involved in the department recovery process	26	1.81	1.06

Article VIII. Private debt collection agencies are the main collectors used by the company to collect on overdue accounts	26	2.77	1.27
Article IX. Transfer to external collection agencies is done by date and no subjectivity is involved	26	2.62	1.27
Article X. There are controls in place to monitor/track what the external collection agencies are doing	26	2.42	1.10

Source: Primary data 2024

Table 5 above shows that the staff agreed that EB had a dedicated a/c manager to handle debt payments from customers (Mean = 1.81, Standard deviation = 0.85) while they also agreed that invoicing to customers on payment dates was done immediately debt had been granted (Mean = 2.42, Standard deviation = 0.99). The staff equally agreed that adequate training was carried out for the EB collectors to up their skills (Mean = 2.38, Standard deviation = 0.85) while they also agreed that EB collections department used up to date technology in debt collection (Mean = 2.27, Standard deviation = 1.31). Similarly, the staff agreed that occasionally members of senior management got involved in collection of debts (Mean = 2.31, Standard deviation = 1.32) while they also agreed that occasionally the legal department was involved in the department recovery process (Mean = 1.81, Standard deviation = 1.06). The staff were not sure if regular personal visits were done by the debt collection team to follow-up debts (Mean = 2.69, Standard deviation 1.16). These study findings suggested that on overall, EB undertook internal efforts for debt collection through use of dedicated account managers, invoicing paid debts, training in debt collection, use of technology and use of senior management in debt recovery although it seemed that less field debt visits were conducted.

On external collections, the staff were not sure if private debt collection agencies were the main collectors used by the company to collect on overdue accounts (Mean = 2.77, Standard deviation = 1.27) while they were also not sure if transfer to external collection agencies was done by date and no subjectivity was involved (Mean = 2.62, Standard deviation = 1.27) but they agreed that there were controls in place to monitor/track what the external collection agencies were doing (Mean = 2.42, Standard deviation = 1.10). These particular findings suggested lack of clarity on the use of external collection interventions less their monitoring. This calls for the management of the bank to institute proper guidelines on the use of external debt collection agencies in debt recovery.

While reviewing the documentary review of the Equity Collection manual (2009), it revealed that the goal of the collection process was to obtain prompt payments from customers with delinquent accounts while minimizing the operational expenses and risk but maintaining good customer relationship. It was mentioned that the various channels for collections that aided in contacting the customer in the quest of collecting money was telephone calls, letters and field visits which all had to be done in a timely manner and after a designated period of time after debt default.

In an interview with the head of collections in Equity Bank emphasized that:

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“More training is needed for the collections team especially in their negotiation skills and work ethics. However, he said before outsourcing to external collectors, more work should be done by the internal staff to collect on the bad debts to reduce on the commission given to the external debt collectors”.

In addition, he emphasized that: “Employers of the clients should also be involved in the collection of debts if one of their staff becomes difficult. In this way, staff will be careful before they default as they would not want to get in the bad books of their employers”.

The study findings on staff expressions on debt collection were cross examined with the customer’s experiences of the debt collection practices in EB and the findings are presented in table 6 below.

Table 6: Customers experiences of the debt collection process on EB

Debt collection	SA		A		NS		DA		SDA	
	F	%	F	%	F	%	F	%	F	%
1. I know the date when my debt installment is due	31	56.4	19	34.5	1	1.8	2	3.6	2	3.6
2. My installment date and amount are communicated to me by the bank	21	38.2	17	30.9	2	3.6	9	16.9	5	9.1
3. I have ever missed out on a debt installment	11	20.0	11	20.0	4	7.3	15	27.3	14	25.5
4. Late payments are penalized by Equity Bank	20	36.4	12	21.8	17	30.9	4	7.3	2	3.6
5. Early and on time repayments are rewarded at Equity Bank					19	34.5	10	18.2	26	47.3
6. Reminder letters are sent to me when my debt installment is due	4	7.3	7	12.7	8	14.5	19	34.5	17	30.9
7. I receive telephone calls when my installment is past due	13	23.6	18	32.7	12	21.8	7	12.7	4	7.3
8. Sometimes frequent reminders from the bank irritate me	11	20.0	15	27.3	9	16.4	9	16.4	8	14.5

9. I do not need to be reminded to pay my debt	24	43.6	22	40.0			8	14.5	1	1.8
10. I know the consequences of paying my debt late	26	47.3	22	40.0	4	7.3	1	1.8	2	3.6

Source: Primary data

Table 6 above shows that 90.9% (56.4%+34.5%) of the customers agreed that they knew the date when their debt installment was due while only 7.2% disagreed did not know suggesting that only about 1/10 customers did not know when their debts were due. Similarly, 69.1% of the customers agreed that their installment date and amount were communicated to them by the bank while 26% were not informed suggesting that about 3/10 borrowers were not informed on their debt due dates and amount other than basing on the debt agreement provisions. Similarly, a total of 40% of the borrowers agreed that they had ever missed out on a debt installment while 52.8% disagreed suggesting that 4/10 customers at least missed out on their debt repayment when it was due.

Table 6 above further shows that 58.2% of the respondents agreed that late payments were penalized by Equity Bank while 30.9% were not sure and 10.9% disagreed finding which suggested that at least 6/10 of the debt borrowers were not penalized while 4/10 were suffered penalties on default of payment on the due dates probably due to the type of debt borrowed. On early and on time repayments being rewarded by the Bank, a majority of 65.5% of the respondents disagreed while 34.5% were not sure suggesting that the bank did not give any incentive for early repayments. Only 20% of the borrowers agreed that reminder letters were sent to them when their debt installment was due while 65.4% of the customers disagreed yet 14.5% were not sure revealing that about 3/10 debt borrowers were issued with reminder letters for their installments suggesting a low usage of reminder letters by the bank for defaulting borrowers. A total of 56.3% of the customers received telephone calls when their installment was past due while 20% disagreed yet 21.8% were not sure suggesting that about 4/10 customers of the bank did not receive telephone calls when their installment was past due.

A total of 47.3% of the customers agreed that sometimes frequent reminders from the bank irritated them while 30.9% disagreed yet 16.4% were not sure suggesting that about a half of the customers felt irritated by frequent reminders from the bank. Similarly, 83.6% of the borrowers agreed that they did not need to be reminded to pay their debts while 26.3% felt they needed to be reminded to pay their debts a finding which suggested that 8/10 customers did not want to be reminded of their debt repayments obligations. A total of 87.3% of the borrowers agreed that they knew the consequences of paying their debt late while 5.4% disagreed yet 7.3% indicated not sure suggesting that about 9/10 customers of EB knew the consequences of late payment or default.

Summary Of Results

The study found out that EB realized a good financial performance significant in annual increase in accounts receivable, rising repayments charges, increased debt sales and bank's strategic outlets but there were doubts on debts write offs, engagement of management in solving business problems and the level of customer service in the Bank's branches in the country. Debt pricing in EB considered cost of funds, administrative costs and risk factors. Not all customers knew of debt

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pricing attributes used by the bank yet debt pricing had a significant relationship with financial performance ($r = 0.446$, $p = 0.022$) and it predicted 16.6% of the variance in financial performance of EB. This is indeed in line with Ferrari (1992), where he emphasizes that the largest expense of a debt is the cost of funds acquired to finance the debt.

The study found out that debt vetting in EB relied heavily on customer's account performance and capacity to pay. On overall, a reasonable number of customers were aware of the debt vetting considerations and requirements of which some met them with ease while others felt constrained. Nevertheless, the study found out that debt vetting significantly affected financial performance of Barclays Bank ($r = 0.511$, $P = 0.008$) and it predicted 23% of the variance in the financial performance.

The study found that EB undertook internal efforts for debt collection through use of dedicated account managers, invoicing debt payment schedules, training in debt collection, use of technology and use of senior management in debt recovery although it seemed that less field debt visits were conducted. There was a lack of clarity on the use of external collection interventions together with their monitoring. Some customers knew of their debt repayment obligations yet some did not. Debt collection had a high positive significant relationship with financial performance ($r = 0.688^{**}$, $p = 0.000$) and it was the highest predictor of the variance in financial performance as it predicted 45.2% of the variance in financial performance. On competition, the study found out that the bank put in effort to consider competition by providing customers with some attractive credit terms of debt waivers, competitive repayment periods, and credit terms adjustments. There seemed to be little efforts to educate debts staff on the debt flexibility and reduction requirement to meet the competition in the financial sector of Uganda. Some customers had debts in other banks and they felt that the bank's debt terms were unfavorable as compared to other banks in the country. Competition was found to have a high positive significant relationship with financial performance in the EB ($r = 0.456$, $p = 0.019$) and it predicted 17.5% of the variance in the EB financial performance.

Conclusions

This section indicates the conclusions derived from the study based on the findings.

The study concluded that debt pricing significantly affected financial performance at EB. Therefore, the hypothesis that there is a relationship between debt pricing and financial performance at Barclays Bank was supported by the findings from the field. This therefore concluded that once debt pricing which considers cost of funds, administrative costs and risk factors is taken into account, financial performance will improve through reduction of bad debts and impairments.

However, study also concludes that factors like educating the customers all customers on debt pricing determinants to help them appreciate how the interest rates are derived and perhaps prevent churn leading to bad debts; The customers' education needs to focus on know how interest rates were determined, the importance of interest rates, the need for paying other fees and commissions besides the interest rate charged.

The study concluded that debt vetting significantly affected financial performance at EB. The hypothesis that there is indeed a relationship between debt vetting and financial performance holds true and was supported by the findings from the field. This implied that emphasis needed to be placed on client's account performance and the borrower's capacity to pay through thorough analyses. On the other hand, third party reviews on all debts to ensure customer were not overstretched was not

observed during debt vetting and EB needed to consider it if debt vetting was to impact highly on the financial performance of EB positively through reduction of defaulters who in the long run reduce the bad debt.

The study concluded that Debt collection, both in house and external collections significantly affected financial performance at EB. The Hypothesis stated at the beginning of the research held true that debt collections had a significant relationship with financial performance. The study emphasizes in house and external debt collection avenues as a means to increase the profitability through increase in return on total assets and reduction of bad debts through aggressive collection techniques. The study also concluded that regular personal visits and external debt collector considerations needed to be adhered to strictly by the bank if they were to get value for money from the assets.

However, the study concludes that borrowers needed to know the due dates of their debts for proper planning despite other factors like loss of jobs and inflation contributing to their defaulting on the payments.

Recommendations

The study recommended that for sustained financial performance; the board, management and staff of commercial banks should always ensure that the responsible person should always ensure all parameters of debt pricing are taken into consideration before an actual final price is agreed upon. Majorly it should emphasize cost of funds, risk and administrative costs. Efforts should be undertaken by commercial banks management and responsible persons to educate all customers on debt pricing determinants to help them appreciate how interest rates are determined, the importance of interest rates, the need for paying other fees and commissions besides the interest rate charged through customers' debt pricing sensitization promotions using avenues deemed appropriate by the bank.

Efforts should be undertaken by commercial banks' management and responsible persons to educate all customers on the debt vetting considerations for a good understanding and appreciation of the process. Customers' promotions should be carried out to educate customers on how to maintain their account performance, circumstances that may prevent them from paying on time and communication of payment terms by the responsible person through promotions and road shows.

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