
Credit Management And It's Impact On Financial Performance Of An Organisation, A Case Study Of Centenary

Bank Gulu Branch

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Abstract

The study examined the Credit Management and Performance of an Organization: A Case Study of Centenary Bank Gulu Branch. The study aimed at establishing the effect of credit appraisal practices on loan portfolio performance in Centenary Bank, examining the effect of credit monitoring practices on loan portfolio performance in Centenary Bank and analyzing the effect of credit recovery procedures on loan portfolio performance in Centenary Bank. In this study, a case study research design was adopted, stratified random sampling and purposive sampling techniques were used to select a sample of 92 employees from a population of 120 respondents. Out of 82 questionnaires administered only 68 respondents returned questionnaires making a response rate of 83% and out of 10 interviewees targeted only 8 interviewees responded making a response rate of 80%. The data was collected using questionnaires and interviews and analysis was done using regression analysis, and correlation coefficients for the quantitative findings. Findings revealed that credit appraisal practices significantly and positively affect loan portfolio performance in Centenary Bank (adjusted $R^2 = 0.727^*$, p-value =

0.000), secondly findings revealed that credit monitoring practices significantly and positively affect loan portfolio performance in Centenary Bank (Adjusted $R^2 = 0.501^*$, p-value = 0.000) and thirdly, the findings revealed that credit recovery procedures significantly and positively affect loan portfolio performance in Centenary Bank (adjusted $R^2 = 0.780^*$, p value= 0.000). For qualitative findings, data was coded, correctly synthesized and patterns generated which were used to put qualitative data into context and findings were interpreted in line with the research objectives which enabled the assessment of literature reviews to reach a conclusion. The study concluded that all outstanding loans in the loan portfolio were continuously reviewed & closely monitored. Centenary bank had ensured that reviews were done on the collection policies to improve credit management. The study further recommended that Banks should value all information about the customers with a high level when doing their credit assessment because the information they may consider to be less important could be the cause of a failure in their decisions or, it could be the ware from which the customer's default arises.

Key words: Loan portfolio performance, credit recovery Procedures, Commercial Banks, credit appraisal Practices and Credit monitoring practices.

Background to the study

According to (Derrick, Nelson, Kazaara, et al., 2023), credit management was the process of granting credit, the conditions under which credit was granted, and the recovery of that credit when it is due, and therefore involves the planning, control, and coordination of financial institutions. loan portfolio (David et al., 2023). Commercial banks set credit policies to ensure control and minimize losses. Institutions used to ascertain the creditworthiness of customers and this included customer ratings as well as the customer's ability to repay the loan. For the purposes of this study, credit management practices refer to credit evaluation, credit monitoring, and credit collection practices (Edgar & Moses, 2023).

Financial performance refers to the rate of return on investment in various credit products (Ramadhan et al., 2023). Thus, it broadly looks at the number of clients who apply for a loan, how much they would borrow, timely payment of installments, securing of borrowed funds, the rate of recovery of arrears and the number of products in the chain (Alex et al., 2023). The performance of the loan portfolio was largely interpreted as the ability to achieve an increase in loan turnover, client target achievement, client repayment/service availability, loan recovery/collection rate, arrears rate, loan loss rate, portfolio risk and ultimate reduction of non-performing loans. loans (Polycarp et al., 2023).

For the purposes of this study, loan performance was measured in terms of non-performing loan rate (NPR), loan loss rate, arrears rate, loan recovery/collection rate, client goal achievement, client repayment/service availability and number of outstanding loans (Racheal, Kazaara et al. , 2023). Institutions with huge non-performing loans included Stanbic Bank, Barclays Bank, DFCU, Standard Chartered Bank, Centenary Bank, Diamond trust bank, Baroda, Tropical Bank, Housing finance bank and NC bank. As a result of the huge non-performing loans and the increased number of bad loans written off by financial institutions in the banking industry, this study took Centenary Bank Uganda Limited as a case study to examine the credit management and performance of the organization (Christopher, 2022):

Putting the study into context, this study focused on Centenary Bank. Centenary Bank limited was established in 1983 as a credit trust and then registered as a full-fledged commercial bank expanding from one branch on Nkrumah road to 70 branches across the country serving about a third of the country's banking population (Racheal, Enock et al., 2023).

According to the 2017 Bank of Uganda Annual Report, Centenary bank was also mentioned among the top banks with high non-performing loans which rose from Shs 35.6 billion in 2016 to Shs 62.2 billion in 2017.

Statement of the problem

As the economy has come to a standstill due to the COVID-19 lockdown or restrictions on clients conducting their activities freely, financial institutions such as banks have struggled to manage non-performing loans (Oromo et al., 2023). However, according to Centenary Bank's annual report (2019), non-performing loans rose to 3.6% in 2019 compared to 2.6% in 2018, indicating a trend that was already out of control before the Covid-19 pandemic (Oromo et al. , 2023). It appears that the bank has failed to achieve the planned performance of the loan portfolio, causing failure to recover the loaned money despite policies such as loan collateral, credit monitoring system and debt collection unit, as stated in the Centenary Bank Annual Report (2019), which stated, that the ability to manage any credit risk (Derrick, Nelson, Ariyo, et al., 2023). Centenary Bank's non-performing loans increased from Shs39.8 billion in 2018 to Shs60.82 billion in 2019 and bad loan write-offs increased from Shs25.9 billion in 2018 to Shs128.8 billion in 2019 (Centenary Bank Annual Report , 2019). The growth rate

of Non-Performing Assets (NPAs) and foreclosures has steadily increased over the years as shown in the above data transition (reporting from 2018 to 2019) (Ntirandekura et al., 2022). It is clear that Centenary's bank loan loss rate increased from 1.0% in 2018 to 1.2% in 2019 and the number of outstanding loans increased from 1.53 billion in 2018 to 1.74 billion in 2019 (Annual Report Centenary Bank, 2019). The question of whether this is due to failure to recover borrowed money is the subject of discussion in this study. Therefore, if this situation continues, Centenary bank is more likely to lose its reputation there by causing dissatisfaction among its clients (Frank et al., 2023). This is therefore a concern, leading to an investigation into how credit management practices affect the loan portfolio performance of commercial banks in Uganda, with Centenary Bank as an empirical investigation.

Objectives of the study

1. To establish the effect of credit appraisal practices on financial performance in Centenary Bank
2. To examine the effect of credit monitoring practices on loan financial performance in Centenary Bank
3. To analyze the effect of credit recovery procedures on financial performance in Centenary Bank

Methodology

The study adopted a case study research design with intention of providing in depth investigation of underling effect between the variables under study (A & Ahmed, 2019). This design was selected because it narrowed a broad area of research into one case within that field. The study applied both quantitative and qualitative approaches. (Nafiu et al., 2012) noted that quantitative methods are more objective and help to investigate the relationships between the identified variables (Olanrewaju et al., 2021). This study also applied qualitative approaches which will involve in depths probe and application of subjectively interpreted data. Qualitative researchers aim to gather an in-depth understanding of human behavior and the reasons that govern such behavior (Rasheed et al., 2022). A population was the aggregate or totality of objects or individuals having one or more characteristics in common that was of interest to the researcher and where inferences would be made (Nafiu et al., 2017). The population under study is 120 employees who included top level, middle level and lower level staff of all departments in Centenary Bank (Investment, procurement, finance, risk, legal, internal audit, benefits, compliance, customer service and data management unit) is used (Nafiu et al., 2013). The researcher believed that this category of people is knowledgeable enough about his area of study. The population was made up of respondents of both sexes (male and female). The study based on a sample size of 92 that was drawn from a population of 120. The sample size of 92 was determined using Krejcie and Morgan (1970).

Table 1: Population, Sample Size and Sampling Techniques

Category	Accessible Population	Sample size
Managing Director's office	1	1
Credit Department	20	17
Procurement Department	09	7
Finance/Accounts Department	15	11

Risk Department	12	11
Internal audit Department	11	8
Legal Department	14	6
Compliance Department	14	10
Customer service Department	18	15
Data management Unit	06	06
TOTAL	120	92

Source: Primary Data (202

Purposive sampling involved selecting respondents who were knowledgeable and experienced. According to Mugenda & Mugenda (1999), purposive sampling was restricted to specific types of people who desired information and this enabled the researcher to pick a sample based on his own interest, knowledge and judgment (Nafiu et al., 2017). This technique was used to select 10 knowledgeable respondents who participated in the interviews. The technique contributed to its efficiency and stayed robust even when tested against random probability sampling. Questionnaire was an important tool which used to obtain important information about the population (Aslam et al., 2022). The researcher prepared a semi structured questionnaire with closed ended questions which she sent to top managers, branch managers, supervisors and clerical staff of Centenary Bank to fill during the free time. Closed ended questionnaires were used because according to Amin (2005), questionnaires provide specific responses which are easy to analyze. The variables measured on a 5-point Likert scale (5 strongly Agree, 4 Agree, 3 Not sure, 2 Disagree and 1 strongly Disagree). This dealt with analysis of quantitative data. Quantitative data from questionnaires was sorted using the Statistical Package for Social Sciences (SPSS) method. Both Excel and SPSS had a similar feel, with pull-down menus, a host of built-in statistical functions and a spreadsheet format for easy data entry (Nelson et al., 2022). SPSS had faster and easier basic function access, it had a wider variety of graphs and charts and it was easier to find statistical tests (Kothari, 2004). The analysis relied on both descriptive and inferential statistics. Quantitative data got from the questionnaires were computed into frequency counts and percentage. The descriptive statistics included the use of frequency tables, mean, and standard deviation. The researcher questions were tested using Pearson Correlation Coefficient (Nelson et al., 2023). Qualitative data was summarized into relatively shorter and meaningful phrases that capture the overall views of different respondents. The summarized views reported in verbatim, indirect and direct quotations. Where necessary, part of qualitative data was coded to determine the frequency of key ideas and phrases. Data collected is coded in a code book, correctly synthesized and interpreted using patterns generated, frequencies of occurrences, commonalities and differences and relationships from the information gathered (Nelson et al., 2022).

RESULTS

Table 2: Descriptive statistics for credit appraisal practices and financial performance

Item measures for credit appraisal practices	Mean	Standard Deviation	Agree	Min	Max
The repayment history of a client is key before giving out a loan	3.896	0.678	69.10%	1	5
Credit worthiness and guarantee of clients is aligned with the size of the loan to be issued	2.012	0.5002	29.10%	1	5
The credit appraisal committee approves the loan that is issued	4.009	0.432	80.00%	1	5
Clients submit their business plans before getting of loans	4.201	0.7098	75.20%	1	5
The credit department records various loans applicants	3.02	0.3012	50.30%	1	5
The utilization of loan funds acquired differing from the acquisition purpose brings about non-performing loans.	4.009	0.432	80.00%	1	5
The loan department sometimes fails to discover the client credit history which may be characterized by multiple loan acquisition from different financial institutions.	4.201	0.7098	75.20%	1	5
There is approving and disbursing loan funds beyond the clients capacity to service the loan	3.02	0.3012	50.30%	1	5
Under funding a loan may lead a client to acquire other loans from other financial institutions.	3.896	0.678	69.10%	1	5
The bank analyses the financials of clients before extending loans.	2.012	0.5002	29.10%	1	5
The character of the borrower is paramount when extending loans to clients	4.201	0.7098	75.20%	1	5
Grand Mean	3.5				

Source: *Primary Data, 2020*

N=68

Generally, the results as presented in the above Table 1 indicate a high degree of occurrence of most of the items of credit

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appraisal practices included in the study though the grand mean score is close to average. Specifically, the findings reveal that the majority of the respondents, 69% agreed that the repayment history of a client is key before giving out a loan with a mean score of 3.90 indicating that commercial banks most of the time consider this to be an important aspect in the credit appraisal process (David et al., 2023). Further, the need to align credit worthiness of clients to the size of the loan to be issued ranked among the lowest occurrence in the study context with the mean score of 2.00. The extent to which credit appraisal committee approves the loan received the mean score of 4.2 with majority of the respondents (80%). It was also established that the majority of the respondents 75.2% agreed that clients were required to submit their business plans before getting of loans with a mean score of 4.2 (Faith, Kalikola, Ariyo, et al., 2023).

In relation to whether or not the credit department records various loans applicants, the mean score was 3.02, indicating the less significance of this ware of credit appraisal practice. In the study context of terms of the utilization of loan funds acquired differing from the acquisition, it was established that this is a highly likely occurrence with the mean of 4.00, while the extent to which the loan department sometimes fails to discover the client's credit history which may be characterized by multiple loan acquisition from different financial institutions was relatively high with the score of 4.2.

In the way of whether approval and disbursing of loan funds were sometimes beyond the client's capacity to service the loan, the respondents reported a moderate score of 3.02. Further, the majority 69% of the respondents agreed that under funding a loan may lead a client to acquire other loans from other financial institutions with a mean score of 3.90 (Annet et al., 2023). On the contrary, the mean statistic shows that it is rarely considered to analyze the financials of clients before extending loans with a mean score of 2.00. Furthermore, the findings revealed a mean score of 4.02 for the extent to which the character of the borrower is paramount when extending loans to clients in the case studied.

Interview findings further revealed that at the case study various tools for controlling credit losses were utilized. According to interviewee04 these include *"covenants, collateral, credit rationing, loan securitization, and loan syndication"*.

Tools like covenants, collateral; credit rationing, loan securitization and loan syndication have been used by banks in developing world in controlling credit losses. Further, the findings revealed that Centenary bank cannot just give credit to a customer without guarantee that they were going to have their money back as this can be backed up by the responses from the respondents with mean score of 2.012. The bank tries to know of the guarantee by looking into the credit worthiness of the company in question. This is done by using certain information about the company or customer. Different banks may rank the importance of this information differently and there is always some hidden information about the customer that is unknown to the bank (asymmetry information).

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Table 3: Descriptive statistics for credit monitoring practices

		Standard			
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Items on Credit monitoring practices	Mean	Deviation	Agree	Max	Min
Loan Department periodically meets loan clients for further advice.	3.848	0.1056	65.60%	5	1
The bank periodically gathers information about loan clients.	2.106	0.6903	14.90%	5	1
All bank debtors were visited regularly to assess the financial performance of their businesses.	1.888	0.666	22.30%	5	1
The loan department hold recovery meetings regularly with the clients	2.111	0.5912	37.70%	5	1
The loan department officials periodically send notifications to clients of the outstanding amount.	3.248	0.7056	51.60%	5	1
Credit supervisors sometimes do not review portfolio management reports of the branches which makes monitoring work difficult.	2.106	0.6903	14.90%	5	1
Compliance of the approval terms and conditions is strictly enforced and monitored.	3.588	0.666	63.30%	5	1
Regular reviews were done on collection policies to improve state of credit management.	2.111	0.5912	43.70%	5	1
Grand mean	2.626				

Source: *Primary Data*, 2020 N= 68

Generally, with a grand mean score of 2.626, the results as presented in the above Table 3 indicate a relatively low degree of rating. Basing on survey findings, it was established that loan department periodically meets loan clients for further advice as indicated by the mean =3.848 and SD =0.1056. This indicated that the majority of the respondents agreed with the practice. The respondents were asked to state whether the bank periodically gathers information about loan clients, with the mean score of 2.106 the majority of the respondents disagreed with practice (Faith, Kalikola, Kazaara, et al., 2023).

The survey findings further revealed that majority of the respondents disagreed with the practice that all bank debtors were visited regularly to assess the financial performance of their businesses with a mean score of 1.888 with SD= 0.666. The respondents were asked to state whether the loan department hold recovery meetings regularly with the clients. The trend of responses indicate that majority of the respondents disagree with the mean score of 2.111 with SD=0.592. When asked about whether the loan department officials periodically send notifications to clients of the outstanding amount, a mean of 1.84 and SD of 0.467 on this item indicated that the majority of the respondents disagreed with the occurrence of this practice.

In relation to the above interviewee06 noted that all “*outstanding loans in the loan portfolio were continuously reviewed and closely monitored.*”

Interview findings further revealed that Centenary Bank uses various tools for controlling credit losses. These included covenants, collateral, credit rationing, loan securitization, and loan syndication.

The survey findings indicated that credit supervisors sometimes do not review portfolio management reports of the branches which make monitoring work difficult henceforth a mean of 2.100 indicated disagreement implying that compliance of the approval terms and conditions is not strictly enforced and monitored (Alex et al., 2023). When asked whether regular reviews were done on collection policies to improve state of credit management, a mean score of 2.111 indicating disagreement with the existence of this practice.

Table 5: Descriptive statistics on credit recovery procedures

Item measures for credit recovery practices	Mean	Standard Deviation	Agree	Min	Max
The bank reminds clients of their repayment installments prior to the due date through SMS/calls.	3.81	0.5001	66.50%	1	5
The bank reminds clients of their repayment date through SMS/calls.	2.22	0.3012	30.30%	1	5
The clients' files were tracked and surveyed from loan acquisition to final payment of the principal.	4.045	0.7034	90.90%		5
The bank tracks collateral from loan acquisition to Repayment	3.77	0.5567	64.80%	1	5
Defaulters were given stringent repayment conditions once they default on the first instalment	3.88	0.3012	70.30%	1	5
The credit Department continuously assesses the accounts of Debtors	3.98	0.3019	71%	1	5
Grand Mean	3.545				

Source: *Primary data, 2020*

N= 68

Basing on survey findings presented in Table 5 above, it was established from the respondents that the bank reminds clients of their repayment installments prior to the due date through SMS/calls with the mean score of 3.810. In relation to the item that stated that the bank reminds clients of their repayment date through SMS/calls, the mean = 2.220 indicated that the majority disagreed with this particular practice (Ivan et al., 2023). Whether the clients' files were tracked and surveyed from loan acquisition to final payment of the principal, the mean score was 4.045 indicating high prevalence of this practice. As to whether the bank tracks collateral from loan acquisition to repayment, a mean of 3.777 indicated that the majority agreed with the item to that effect. As to whether defaulters were given stringent repayment conditions once they default on the first instalment, the mean = 3.88 indicated reasonable level of agreement.

Table 6: Descriptive Statistics for Loan Portfolio Performance at the case study

Item measures for Loan portfolio performance	Mean	SD	Agree	Min	Max
The bank does alter the repayment period in case of default.	2.807	0.7092	34.30%	1	5

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Interest rates variation affects loan portfolio performance.	2.201	0.9701	38.30%	1	5
The costs of loan recovery affect loan portfolio performance	3.503	.5.301	57.40%	1	5
Collusion between bank staff and clients during loan acquisition affects loan portfolio performance.	2.746	0.6034	49.50%	1	5
Increased charges during repayment may affect the loan recovery process	3.92	0.3012	51.30%	1	5
The structuring of some repayment schedules affects loan portfolio performance	1.666	0.5567	27.80%	1	5
I expect an improvement in clients' loan repayment for the coming years.	3.603	0.5301	61.40%	1	5
The bank registers an increase in the number of loan applicants.	3.746	0.6034	68.50%	1	5
Loans not paid on time were eventually recovered	1.52	0.3012	20.30%	1	5
The bank registers annual decline in loan related costs.	1.666	0.5567	27.80%	1	5
Grand Mean	2.738				

Source: *Primary data, 2020*

N= 68 Generally, the results as presented in the above Table 6 indicate a moderate

low of almost all the items that measured loan portfolio performance based on the mean score of 2.738 which were scaled on the basis of a maximum score of 5 and the minimum score of 1 since the survey instrument had a 5 Likert scale. The quantitative results presented above reflect the perception of the respondents. However, there were findings from interviews and documentary reviews that give the status of the variables on loan portfolio performance. Basing on survey findings, it was established from the respondents in relation to item 1 that stated that the bank does alter the repayment period in case of default; a mean score of 2.807 with SD= 0.7092 showed that the majority of the respondents disagreed with the item implying that the bank does not alter the repayment period in case of default (Polycarp et al., 2023).

When the respondents were asked to state whether the costs of loan recovery affect loan portfolio performance, a mean of 3.503 indicated the majority of respondents agreed with the item. In relation to item three, the respondents were required to state whether the costs of loan recovery affect loan portfolio performance. The respondents were further asked to state whether collusion between bank staff and clients during loan acquisition affects loan portfolio performance. The statistical grand mean of 2.746 implied that the majority of respondents disagreed with the items provided. In connection to the item that stated that increased charges during repayment may affect the loan recovery process. A mean value of 3.920 implied that the majority of the respondents agreed with the fact that an increase in loan charges may affect its recovery process. In relation to the survey findings, the respondents revealed that the structuring of some repayment schedules affects loan portfolio performance. The computed test figures reveal that the mean score of 1.666 suggests that the majority of the respondents disagreed with the item implying that the structuring of some repayment schedules is not affecting loan portfolio performance.

Table 7: showing relationship between the study variables

Items	Credit Appraisal Practices	Credit Monitoring	Credit Recovery	Loan Portfolio Performance
Credit Appraisal practices	1			
Credit Monitoring	.356**	1		
Credit Recovery	.439*	.466*	1	
Loan Portfolio Performance.	.892**	.734**	.885**	1

N=68, Correlation is significant at * $p < 0.05$ and ** $p < 0.01$ levels of significance.

From the results in Table 7 the relationship between credit appraisal practices and loan portfolio performance was strong positive and statistically highly significant ($R=0.892$, $P<0.000$) Therefore, for a given increase in ensuring credit management practices, perception with regard to loan portfolio performance increases by 0.892 (Nelson et al., 2023). The relationship between credit monitoring and perception with regard to loan portfolio performance was also strong positive at $R=0.734$ and statistically highly significant at $p<0.000$.

This shows that there is a strong and highly significant positive relationship between credit monitoring and perception with regard to loan portfolio performance in Centenary Bank, since the P value is less than the significance level figure ($p<0.01$). The relationship between credit recovery procedures and perception with regard to loan portfolio performance was also strong positive ($R=0.885$) and statistically highly significant at $p<0.000$. The relationship between credit recovery practices and loan portfolio performance in Centenary Bank is a strong positive and statistically highly significant implying that an improvement on credit recovery would lead to a significant improvement on loan portfolio performance in Centenary Bank. From all the results the alternate hypothesis earlier stated in chapter one is upheld.

Regression Results for Credit Appraisal Practices and Loan Portfolio Performance in Centenary Bank

Table 8: Regression Analysis for Credit appraisal and loan portfolio performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.892a	.796	.727	.93818
a. Predictors: (Constant), credit appraisal practices				

ANOVA for Credit appraisal practices and Loan portfolio performance

		Sum of square	Df	Mean Square	F	Sig
1	Regression	9.978	1	69.997	79.5	0.000
	Residual	18.484	67	.880		
	Total	28.462	68			

Source: *Primary Data, 2020*

From the results presented in the Table 8, the results indicated that credit Appraisal Practices strongly and positively ($r=0.892$) affect loan portfolio performance and its effect is significant at $p<0.01$. The 0.727 adjusted R square value indicates that 72.7% variations in loan portfolio performance can be explained by credit Appraisal practices in the bank.

Regression Results for credit Monitoring and Loan portfolio performance in Centenary Bank

Table 9: Statistics from the Regression Analysis for Credit monitoring and loan portfolio performance

	Summary Out put					
	Regression Statistics					
	R	0.734				
	R Square	0.538				
	Adjusted R Square	0.501				
	Standard Error	0.50252				
	ANOVA					
		Sum of square	Df	Mean Square	F	Sig
1	Regression	3969.98	1	3969.9	44.688	0
	Residual	7345.34	67	93.011		
	Total	11315.3	68			
Step	Variable	B	SE	Beta	T	Sig
1	Constant	60.712	0.411		32.992	0
	Credit monitoring	0.708	0.11	0.734	5.021	0

Source: *Primary Data, 2020*

From the findings presented in the table 9, the results indicated that credit monitoring positively and significantly affect perception with regard to loan portfolio performance ($r=0.732$, $P<0.01$). The adjusted R square value of 0.501 indicates that credit monitoring practices included in the study explain 50.1% variation in loan portfolio performance with F value of 44.68 significant at p - value =0.01.

Regression Results for credit recovery practices and Loan portfolio performance Centenary Bank.

Table 10: Regression Analysis for credit recovery procedures and loan portfolio performance

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Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R square change	F Change	df1	df2	Sig. F Change
1	.885	.783	.780	1.0567	.780	71.346	1	68	.000

Predictors: (Constant), Credit recovery practices

From the Table 10, the regression model results for credit recovery practices and loan portfolio performance in Centenary Bank was positive and significant. The results of the adjusted R squared (R^2) which tells how a set of independent variables explains variations of a dependent variable yielded an adjusted R Square of 0.780. This means that the independent variable dimension of control environment accounts for 78.0% of the variations in perception with regard to loan portfolio performance in Centenary Bank. The model further shows F-statistics value of credit recovery practices as being positive (71.346). Therefore, holding other factors constant, one unit of improvement in credit recovery practices would result into an improvement in loan portfolio performance in Centenary Bank by a magnitude of 0.780 units. The regression findings agreed with the earlier correlation findings and therefore serves to further explain that the alternate hypothesis that credit recovery practices significantly contributes to loan portfolio performance in Centenary Bank is confirmed and validated.

Table 11: Coefficients for credit recovery procedures and loan portfolio performance

Independent variables	B	T	Sig
credit recovery procedures	.885	56.633	0.000

$R=0.885$; $R^2= 0.783$; $F= 78.0$); significant level at $P\leq 0.05$.

Source: Primary data, 2020

From table 11, the results of the simple regression analysis showed that there was significant positive relationship between credit recovery and loan portfolio performance in Centenary Bank ($\beta=0.885$) at level of significance ($P<0.01$).

Multiple regression analysis results for presenting the effect of credit management practices on Loan portfolio performance

Table 12: Regression model summary and Coefficients for the effect of credit management

Model Summary						
				F-statistic	Std. Error of the Estimate	

1	.798 ^a	.637	.606	7.658	.221	.002 ^a
a. Predictors: (Constant), credit Appraisal Practice, Credit Recovery Procedures, Credit Monitoring practices.						

		Unstandardized		Standardized	
		Coefficients		Coefficients	
		B	Std. Error	Beta	
1	(Constant)	3.011	.470		.025
	Credit Appraisal Practice	.429	.105	.036	.000
	Credit Monitoring	.225	.196	.305	.006
		.572	.136	.095	.003

Source: Primary data, 2020

Tables 12 showing the model summary statistics above, the F value of 7.66 with a p-value = 0.002 that is less than 5% level of significance indicates that credit appraisal, credit monitoring and credit recovery practices have a role in predicting and affect the bank's loan portfolio performance.

An adjusted R square of 0.606 from the findings implies that the credit management practices included in the study accounts for 60.6% variations in the perceptions on loan portfolio performance of the commercial bank studied. Basing on such findings, the researcher therefore concluded that credit management practices significantly affect loan portfolio performance of commercial banks.

Conclusions

Study findings revealed that there was a significant and very strong positive relationship between credit appraisal and loan portfolio performance and therefore rejected the null hypothesis in favor of the alternative hypothesis. Therefore, it is concluded that an improvement on credit appraisal would enhance improved loan portfolio performance in Centenary Bank.

The study also rejected the null hypotheses and concluded that credit monitoring practices and recovery procedures affect significantly and very strongly positively loan portfolio Performance of commercial Banks. Therefore, an improvement on credit monitoring would lead to an improvement on loan portfolio performance. Centenary bank had ensured that reviews were done on the collection policies to improve credit management. Monitoring of borrowers, credit approval guidelines and clear established processes have a positively and strongly affect the level of nonperforming loans in Commercial Bank.

On the general objective, the study rejects the null hypothesis and concludes that credit management practices have a very strong positive and significant effect on loan portfolio performance of Commercial Banks.

Recommendations

The study recommended that; Credit risk management teams in banks should look at credit risk management as a continuous process that runs through post-approval as well. Post-approval processes being monitored by customized document associated with bookkeeping principles.

Banks should design instruments that collect as much information about a customer as possible and should not ignore any information collected but analyzed critically while doing their credit assessment.

Professionals stick to documented credit management processes which often incorporate familiarization with customers. The use of Know Your Customer concept should be also implemented in the other way around (Know Your Bank) thus outreach activities must be invested in by banks especially with the innovation of agency banking.

Also premised on the conclusions drawn from the study findings that improvement on credit appraisal would enhance improved loan portfolio performance in Centenary Bank, the researcher recommends that psychometric test be part of the credit appraisal processes so infer how the client and business would get closure or apart. Also implement the following: Move from manual interventions to automation for greater accuracy; Deploy analytics to improve credit decision; Engage with an offshore partner that had robust credit processing capabilities to mitigate losses from delinquency and reduce costs.

The researcher also recommends that Centenary bank staff should: As often as possible compile a watch list of possible defaulters thus define indicators that qualify the client to be in that watch list such as poor communication in the course of the relationship and take action as soon as any risk matures tight from the point of extending the loan.

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