

**Credit Management And Financial Performance Of Financial Institutions In Uganda, A Case Study Of
Centenary Bank, Gulu Branch**

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ABSTRACT

The study aimed at credit management and financial performance of financial institutions in Uganda with a case study of Centenary Bank, Gulu branch and it was guided by the following objectives; To examine the effect of credit terms on financial performance of Centenary Bank, Gulu Branch, to analyse the effect of credit assessment on financial performance of Centenary Bank, Gulu Branch and to investigate the relationship between credit control and financial performance of Centenary Bank, Gulu Branch. A descriptive research design was adopted for the study since it focuses on the people as well as their attributes which enable the investigator to understand and examine the influence of credit management on the performance of financial institutions in Uganda. The method was used to collect data from middle-level staff and other lower-level staff within the bank because they were directly involved in the operations of the SMEs. Self-Administered Questionnaires (SAQ) was employed to gather data from the study elements in a structured manner. SAQs with one open ended question per section was designed for SME employees to give additional or express their mind while the rest was close-ended aimed at testing perception using a five-point likert scale measuring from Strongly Disagree as response 1, Disagree as response 2, Not sure as response 3 Agree as response 4 and Strongly Agree as response 5 for easy measurements of variables. From the findings, it shown that there was a strong relationship between credit financing and the growth of bank. At Pearson correlation coefficient $r = 0.669$. The results as depicted from the table above ($r^2 = 0.669$, $P = 0.035$) suggested a positive and significant effect on credit financing on the growth of bank in Centenary bank. The positive relationship meant that when credit financing increases, bank also grow. Banks should devise means they deliver credit financing facilities, improve terms and conditions under which financial institutions offer various credit facilities to bank.

Key words: credit management, financial performance and institutions

Background to the study

Brindley (2017) argues that credit management emerged in the 1960s and was mainly driven by global competition, technological change and the constant search for competitive advantage. (Alex & Kazaara, 2023) argue that in the 1980s there was no risk management department in financial institutions and only the chief trader of financial institutions had the experience and authority to decide on bad trades and let

them go. In 2010, financial institutions began to recognize the impact of credit management by establishing risk management departments tasked with measuring risk rather than managing it. As all decision-making power was left on the head of the merchant, credit management became powerless (Derrick et al., 2023). However, credit management became a booming industry in the early 1990s due to the

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increasing volatility of financial markets and derivatives, which led to significant financial losses suffered by companies without a credit management system (Kazaara & Christopher, 2023).

As stated in the theory, the study identifies four concepts namely; risk identification, credit rating, credit control and organizational performance (K. Paul et al., 2023). Credit management is the process of granting credit, determining the terms under which credit is granted, collecting that credit when it is due, and ensuring compliance with the company's credit policy, among other credit-related functions (T. Christopher, 2022). Risks in credit management can be considered as the probability of losses associated with a reduction in the credit quality of borrowers/counterparties or potential losses resulting from the customer's refusal or inability to repay the amounts owed in full and on time. It still remains the most important risk to manage (Richard et al., 2022). Credit risk arises when the borrower is unable to repay the loan or when the credit rating deteriorates (Polycarp et al., 2023). Credit management is defined as the identification, measurement, monitoring and control of risk arising from the possibility of loan default (Collins et al., 2023). Credit management was similarly conceived to include the three dimensions of risk identification, risk assessment and risk management. Centenary bank was established in 1983 as a credit trust, Centenary Rural Development Trust (CRDT), Simeon Lutaakome, Hugh Francis Pulle, Paul Kateregga, Vincent Kirabo Kya Maria, Emmanuel

Statement of the problem

Centenary Bank has an established credit management team, sound and clear credit risk management guidelines, which are the primary source of reference and guidance for credit management practices in financial banking (Kazaara & Kazaara, 2023). The goal of the team is to support Centenary Bank's objective by providing information

Mpande and John Ogutu. In 1985, CRDT began providing financial services to the public (F. Christopher, Muhindo, et al., 2022). The bank became a fully licensed commercial bank in 1993 after receiving a license from the Bank of Uganda. As of May 2016, Centenary Bank was the largest mostly domestic Ugandan commercial bank (K. Faridah et al., 2023).

Centenary Bank has a credit management team, sound and clear credit management guidelines, which are the primary source of reference and guidelines for credit management practices in financial banking (Akankwasa et al., 2022). The team's goal is to support Centenary Bank's goal by providing information and guidance that enables the implementation and maintenance of an effective credit management system to identify, analyze and mitigate credit risks that threaten the achievement of the financial institution's goals of profitability and revenue growth. (Annet et al., 2023). However, even with a good risk management department, Centenary Bank still has problems managing credit risk among its lenders, yet the financial institution has to move along with tough competition in the financial sector, which means offering good interest rates, training its loan officers to be competent in disbursing and collecting loans (District et al., 2023), but this is inconsistent with the reality that bad loan portfolios are constantly growing, defaults and write-offs are high. Therefore, the objective of the study is to investigate the relationship between credit management and financial performance in Centenary Bank (Wegulo et al., 2023).

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and guidance to enable the implementation and maintenance of an effective loan portfolio and to identify, analyze and mitigate credit risks that threaten the achievement of the financial institution's objectives of profitability and revenue growth. (Racheal et al., 2023). Due to effective credit management, Centenary Bank has experienced low credit risk, making its loan portfolio one of the best performing in the commercial banking industry in Uganda (Zowena et al., 2023). Through its sophisticated credit manuals formulated in accordance with the credit policy of financial institutions focused on credit risk management, as well as continuous training of employees in the field of credit management, the institution has been celebrating profitability for the last five (5) consecutive years (Rashid et al., 2023).

Despite all the above measures that Centenary Bank has taken to manage credit, it is unfortunate that the financial institution continues to have some bad debts and declining levels of profitability (Moses et al., 2023). Poorly planned loan products and partnerships were common, a situation associated with a poorly managed credit management system in a commercial bank (Oscar et al., 2023). The increase in net loss and bad debts had an adverse impact on the decrease in sales revenue and profitability of the financial institution (Musaibah et al., 2023). It is on this basis that this study was undertaken to examine the impact of credit management on the performance of financial institutions in Uganda using Centenary Bank as a case study.

Objectives of the study

1. To examine the effect of credit terms on financial performance of Centenary Bank, Gulu Branch
2. To analyse the effect of credit assessment on financial performance of Centenary Bank, Gulu Branch
3. To investigate the relationship between credit control and financial performance of Centenary Bank, Gulu Branch

Methodology

A research design is a strategy for conducting the research that specifies the procedures necessary to obtain the information needed to structure and solve the research problems (Cooper and Schindler, 2017). The descriptive design was adopted, which aimed at assessing the effect of credit management on the performance of financial institutions in Uganda. The descriptive research design refers to the systematic process of gathering descriptions of existing phenomena in order to describe or explain what is

going on (Ololube, 2019). A descriptive research design was adopted for the study since it focuses on the people as well as their attributes which enable the investigator to understand and examine the influence of credit management on the performance of financial institutions in Uganda. This was achieved using a survey questionnaire, observation schedule, and document analysis. The study population concentrated on the employees of Centenary Bank Ltd, Gulu Branch. According to the HR records, there are 50 employees at

Centenary Bank Ltd, Gulu (Ntayi, Mutebi, Kamanyi, & Byangwa, 2018). A sample size refers to the number of subjects in a sample (symbolized by n) or a subset of a population (Creswell, 2017). Based on the Krecjie and Morgan (1970) sampling table the sample size was 40 respondents. The study employed both probability and non-probability sampling techniques. A probability sampling method is any method of sampling that utilizes some form of random selection. In order to have a random selection method, you must set up some process or procedure that assures that the different units in your population have equal probabilities of being chosen. The probability sampling approach involves selecting a sample in such a way that all the elements in the population have same chances of being selected (Amin, 2019). The simple random sampling technique was also used such that all population elements are accorded a proportionate likelihood of being nominated within the sample. The questionnaire was an effective method of data collection due to the following advantages: it is standardized since the same wording is used each time it's administered; it ensured confidentiality through use of a coding system. Thus, it can cover embarrassing, socially undesirable or illegal topics; it was cheaper to administer among others (Barker et al., 2017). The method was used to collect data from middle-level staff and other lower-level staff within the bank because they were directly involved in the operations of the SMEs (Turyatamba et al., 2022). Self-Administered Questionnaires (SAQ) was employed to gather data from the study elements in a structured manner. SAQs with one open ended question per section was designed for SME employees to give additional or express their mind while the rest was close-ended aimed at testing perception using a five-point likert scale measuring from Strongly Disagree as

response 1, Disagree as response 2, Not sure as response 3 Agree as response 4 and Strongly Agree as response 5 for easy measurements of variables (Jackson, 2019). This is the process of bringing order, structure, and meaning to the mass of raw information gathered for purposes of getting a feel for reliability and testing the research questions (Sekaran, 2018). Initially, data was entered into MS Excel computer program for cleaning. The data was also imported to SPSS version 23 statistical software for investigation. Quantitative data analysis entailed descriptive statistics and inferential statistics (Nelson et al., 2022). Descriptive statistics involved analysis using frequencies, percentages, mean, charts, and standard deviation. The Analysis of central tendency and dispersion based on; a 5-point likert scale ranging from strongly agree to strongly disagree. Similarly, inferential statistics was done based on the Pearson's correlation coefficient and linear regression analysis. Quantitative data was analyzed by reporting of summary results in numerical terms and was presented using a percentage distribution technique but maintaining a specified degree of confidence (Creswell, 2017). While Qualitative data was analyzed in the form of texts and themes, yet impressions was examined and presented using descriptive methods for in depth analysis to be generated from views of the respondents and to allow the reader to make their opinions freely (Bryman & Bell, 2017). In addition, qualitative data is flexible, needs more checking and auditing at all steps of the analysis as well as careful archiving of each step of the analysis for later checking. Conversely, qualitative research offers an overall approach that provides the backbone for the analysis (Strauss & Corbin, 2018).

RESULTS

Table 1: Responses on credit financing facilities of Centenary bank

Statement	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
Bank loan					
I use bank loans to supplement my capital in operating the business	3 (10%)	2 (6%)	1 (3%)	6 (20%)	18 (60%)
I can afford the terms and conditions given to me by the bank	10 (30%)	5 (17%)	0 (0%)	4 (13%)	10 (33%)
The loan size I get is adequate	10 (33%)	7 (23%)	5 (17%)	5 (17%)	3 (10%)
The loan period given to me is enough	10 (33%)	5 (17%)	2 (6%)	4 (13%)	9 (30%)
The credit officers have enough skills and experience to handle delinquent clients	5 (17%)	3 (10%)	1 (3%)	15 (50%)	11 (37%)
I am always briefed about the bank loan terms and conditions before I get a loan.	15 (50%)	2 (7%)	0 (0%)	4 (13%)	9 (30%)
Overall evaluation of bank loan	9 (30%)	4 (13%)	1 (3%)	6 (20%)	10 (33%)

Table 1 shows that, 10% of the respondents strongly disagreed that they do not use bank loans to supplement their capital in operating the business, 6% disagreed, 3% were not sure, 20% agreed while 60% strongly agreed. This implies that the majority of the respondents 18 (60%) strongly agree that they use bank loans to supplement their capital (1 Ourien Isaac, 2 Dr Ariyo Gracious Kazaara, 2023).

From table 1 shows that 30% of the respondents strongly disagreed, 17% disagreed, 0% was not sure, 13% agreed and 33% strongly agreed that they can afford the terms and conditions given to them by the bank. It means that majority of the respondents, 14 (47%) disagreed that they can afford the terms and conditions given to them by the bank (Wegulo et al., 2023).

From the table 4.5 shows that, 33% of the respondents strongly disagreed, 23% disagreed, 17% were not sure, 17% agreed while 10% strongly agreed that the loan size they get is adequate. In all, majority of the respondents (56%) respondents disagreed that the loan size they get is adequate (Lydia et al., 2023).

From table 1 shows that, 33% strongly disagreed, 17% disagreed, 6% were not sure, 33% agreed yet 13%

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strongly agreed that the loan period given to them is enough. The implication from this is, 15 respondents (50%) disagreed that the loan period given to them is enough.

Table shows that, 17% strongly disagreed, 10% disagreed, 3% were not sure, 50% agreed while 33% strongly agreed that the credit officers have enough skills and experience to handle delinquent clients. In all, 15 of the respondents (50%) agreed that the credit officers have enough skills and experience to handle delinquent clients (Pdu et al., 2023).

From table 1 shows that, 3% strongly disagreed, 7% disagreed, none of the respondents were not sure, 60% agreed while 30% strongly agreed that they are always briefed about the bank loan terms and conditions before they get a loan. A clear implication is that, 18 respondents (60%) agreed that, they are always briefed about the bank loan terms and conditions before they get a loan (Jac & Kazaara, 2023).

The overall evaluation of bank loan from table 2 indicated that, 30% strongly disagreed, 13% disagreed, 1% of the respondents were not sure, 20% agreed while 33% strongly agreed with the overall evaluation of bank loan. This clearly implies that 53% of the respondents agreed with the overall evaluation of bank loans.

Table 2: Trade credit

Trade credit					
I always use trade credit	1 (3%)	2 (7%)	0 (0%)	10 (33%)	17 (57%)
I am aware of the terms and conditions attached to trade credit	1 (3%)	2 (7%)	1 (3%)	11(37%)	15 (50%)
I always pay back in the stipulatedtime	3 (3%)	5 (17%)	5(17%)	7 (23%)	10 (33%)
I always qualify for more trade creditfacilities	4 (13%)	5 (17%)	3(10%)	9 (30%)	9 (30%)
Without trade credit facilities, my capital would be too small to operatemy business	3 (10%)	5 (17%)	2 (7%)	12 (40%)	8 (27%)
Overall on trade credit	2 (7%)	4 (13%)	2 (7%)	10 (33%)	12 (40%)

From table 2 shows that, 3% strongly disagreed, 7% disagreed, none of the respondents was not sure, 33% agreed while 57% strongly agreed that they always use trade credit. A clear implication is that majority of the respondents (57%) strongly agreed that, they I always use trade credit always use trade credit (F. Christopher & Felex, 2022).

From table 2 shows that, 3% strongly disagreed, 7% disagreed, 3% of the respondents were not sure, 37% agreed while 50% strongly agreed that they were always aware of the terms and conditions attached to trade credit. A clear implication is that, majority of the respondents (50%) strongly agreed that, they are always aware of the terms and conditions attached to trade credit (Akankwasa et al., 2022).

From table 2 shows that 3% strongly disagreed, 17% disagreed, 17% of the respondents are not sure, 23% agreed while 33% strongly agreed that they always pay back in the stipulated time. A clear implication is that, majority of the respondents (33%) strongly agreed that, they always payback in the stipulated time (Ntirandekura et al., 2022).

From table 2 shows that, 13% strongly disagreed, 17% disagreed, 10% of the respondents were not sure, 30% agreed while 30% strongly agreed that they always qualify for more trade credit facilities. This implies that, majority of the respondents both agree and strongly agree that, they I always qualify for more trade credit

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facilities.

From table 2 shows that, 10% strongly disagreed, 17% disagreed 7% of the respondents were not sure, 40% agreed while 27% strongly agreed that without trade credit facilities, their capital would be too small to operate their business. A clear implication is that, majority of the respondents (40%) agreed that, without trade credit facilities, their capital would be too small to operate their business (Frank et al., 2023).

The overall evaluation of trade credit from table 2 indicated that, 2 respondents (7%) strongly disagreed, 4 respondents (13%) disagreed, 2 respondents (7%) were not sure, 10 respondents 33% agreed while 12 respondents (40%) strongly agreed with the overall evaluation of bank loan. This clearly implies that majority of the respondents (73%) of the respondents agreed with the overall evaluation of credit financing (Ntirandekura & Christopher, 2022).

Table 3: Bank overdraft

Bank overdraft					
I use bank overdraft to finance mybusiness	8 (27%)	2 (7%)	2 (7%)	10 (33%)	8 (27%)
I am aware of the terms and conditions attached on bank overdraft	3 (10%)	3 (10%)	2 (7%)	8 (27%)	14 (47%)
I have all the qualifications to begiven a bank overdraft	5 (17%)	3 (10%)	2 (7%)	10(33%)	10 (33%)
Overall, on bank overdraft	5 (17%)	3 (10%)	2 (7%)	9(30%)	11 (37%)
Overall, on credit financing facilities	5 (17%)	4 (13%)	2 (7%)	8 (27%)	10 (33%)

Source: Primary data 2022

From table 3 shows that, 27% strongly disagreed, 7% disagreed, 7% of the respondents are not sure, 33% agreed while 27% strongly agreed that they use bank overdraft to finance their business. A clear implication is that, majority of the respondents (33%) agree that, they use bank overdraft to finance their business (Ntirandekura & Friday, 2022).

From table 3 shows that, 10% strongly disagreed, 10% disagreed, 7% of the respondents are not sure, 27% agreed while 47% strongly agreed that they are aware of the terms and conditions attached on bank overdraft. A clear implication is that, majority of the respondents (47%) strongly agreed that, they are aware of the terms

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and conditions attached on bank overdraft (F. Christopher, Moses, et al., 2022).

From table 3 shows that, 17% of the respondents strongly disagree, 10% disagree, 7% are not sure, 33 agreed while 33% strongly agreed that they have all the qualifications to be given a bank overdraft. In all, 10 (33%) respondents agreed as well as strongly agreed that they have all the qualifications to be given a bank overdraft.

The overall evaluation of bank overdraft results from table 3 indicated that, 5 respondents (17%) strongly disagreed, 4 respondents (13%) disagreed, 2 respondents (7%) are not sure, 9 respondents 30% agreed while 11 respondents (37%) strongly agreed with the overall evaluation of bank loan. This clearly implies that majority of the respondents (67%) of the respondents agree with the overall evaluation of bank overdraft (W. Paul & Kazaara, 2023).

Overall evaluation of trade credit from table 3 indicated that, 5 respondents (17%) strongly disagreed, 4 respondents (13%) disagreed, 2 respondents (7%) are not sure, 8 respondents 27% agreed while 10 respondents (33%) strongly agreed with the overall evaluation of bank loan. This clearly implies that majority of the respondents (60%) of the respondents agreed with the overall evaluation of credit financing (Oromo et al., 2023)

An evaluation of the growth of the bank of the Centenary bank

Table 4 Responses on the performance of financial institutions in Centenary bank

Statement	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
My business continues to expand	1 (3%)	2 (7%)	1 (3%)	15 (50%)	11 (37%)
Sales volumes of my business are always increasing	3 (10%)	6 (20%)	2 (7%)	12 (40%)	9 (30%)
The profit levels of my business are always increasing	0 (0%)	3 (10%)	2 (7%)	10 (33%)	10 (33%)
I have been able to open more branches for this business	3 (10%)	5 (17%)	2 (7%)	8 (27%)	12 (40%)
There is always excess of income over expenditure	8 (27%)	5 (17%)	5 (17%)	5 (17%)	7 (23%)
I have acquired more assets in my business	5 (17%)	6 (20%)	0 (0%)	10 (33%)	9 (30%)
I have added more working capital	2 (7%)	1 (3%)	0 (0%)	15 (50%)	12 (40%)
I compete favourably with people in the same business	5 (17%)	3 (10%)	0 (0%)	10 (33%)	12 (40%)
I take and make simple records in my business	3 (10%)	7 (23%)	0 (0%)	8 (27%)	11 (37%)
I employ now more people in the business compared to when I started it.	3 (10%)	3 (10%)	0 (0%)	10 (33%)	14 (47%)
Overall evaluation of performance of financial institutions	3 (10%)	4 (13%)	1 (3%)	11 (37%)	11 (37%)

Source: Primary data 2022

From table 4 shows that, 3% of the respondents strongly disagree, 7% disagree, 3% are not sure, 50% agree

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while 37% strongly agree that their business continues to expand. This implies that majority of the respondents (15 respondents) agree that their business continues to expand (Ntirandekura, 2022).

From table 4 shows that, out of the 30 respondents, 10% strongly disagree that sales volumes of my business are always increasing, 20% disagree, 7 % are not sure, 40% agree while 30% strongly agree that sales volumes of my business are always increasing. From the above information, it implies that, 12 respondents (40%) which is the majority of the respondents agree that sales volumes of my business are always increasing.

From table 4 shows that, none of the respondents strongly disagree, 7% disagree, 3% are not sure, 40% agree whereas 33% strongly agree that the profit levels of their business are always increasing. It means that, majority of the respondents (40%) agree that the profit levels of their business are always increasing (Allan et al., 2023).

table 4 shows that, 10% strongly disagree, 17% disagree, 7% are not sure, 27% agree while 40% strongly agree that they have been able to open more branches for this business. In all, 12 out of the 30 respondents agree that they have been able to open more branches for their business

Table 4 show that, 17% strongly disagree, 17% disagree, 7% are not sure, 23% agree while 33% strongly agree that there is always excess of income over expenditure in their businesses. From this information, it means that majority of the respondents (33%) strongly agree that there is always excess of income over expenditure in their businesses

Table 4 shows that, 17% of the respondents strongly disagree that they have acquired more assets in their businesses, 20% disagree, none of them is not sure, 33% agree whereas 30 strongly agree that they have acquired more assets in their business. It therefore implies that, majority of the respondents agree that, they have acquired more assets in their businesses (Winny et al., 2023).

Table 4 shows that, 7% of the respondents strongly disagree, 3% disagree, none of the respondents is not sure, 50% agree while 40% strongly agree that they have added more working capital to their the bank. This means that, 50% of the respondents agree that they have added more working capital to their businesses

Table 4 illustrates that 17% of the respondents strongly disagree that they can compete favourably with people in the same business, 10% disagree, no one is not sure, 10% agree while 40% strongly agree. This implies that the latter are the majority (K. Faridah et al., 2023)

Table 4 shows that, 10% of the respondents strongly disagree, 20% disagree, none of them is not sure, 27% agree while 37% strongly agree that they take and make simple records in their business. It implies that, 37% of all the respondents can make simple records of their businesses

Table 4 shows that, 10% strongly disagree, 10% disagree, 0% are not sure, 33% agree while 47% strongly agree

that they employ now more people in the business compared to when they started it. All in all, 47% of the respondents strongly agree that they employ now more people in the business compared to when they started it.

The overall evaluation of the performance of financial institutions from table 4 indicated that, 3 respondents (10%) strongly disagree, 4 respondents (13%) disagree, 1 respondent (3%) is not sure, 11 respondents 37% agree while 11 respondents (37%) strongly agree with the overall evaluation of bank loan. This clearly implies that majority of the respondents (74%) of the respondents agree with the overall evaluation of the performance of financial institutions (N. Faridah et al., 2023).

Finding of the study support the literature of Kotler 2000, according to Kotler (2000), “the company’s growth will be determined by the increase in rate of growth of its market share”. The study also proved performance of financial institutions in relation to increase in market share among other factors

Table 5: Respondents’ rating on whether there is a relationship between credit facilities and growth of selected the bank of Centenary bank

Statement	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
Credit facilities have assisted me to expand my business	3 (10%)	5 (17%)	0 (0%)	12 (40%)	10 (33%)
Trade Credit has been influential in increasing the sales volume of my business	4 (13%)	4 (13%)	2 (7%)	10 (33%)	10 (33%)
Bank overdrafts have assisted me to increase the profitability of this business	5 (17%)	3 (10%)	2 (7%)	8 (27%)	12 (40%)
Bank loans have helped me to establish new branches	3 (10%)	6 (20%)	1 (3%)	10 (33%)	10 (33%)
Trade credit have helped me to increase the profitability of this business	2 (7%)	2 (7%)	0 (0%)	10 (33%)	16 (53%)
Trade credit has helped me to operate even if I do not have enough money	5 (17%)	5 (17%)	2 (7%)	10 (33%)	13 (43%)

Bank loans are important in my businessgrowth	1 (3%)	2 (7%)	1 (3%)	12 (40%)	14 (47%)
Overall evaluation on the relationship between credit financing and performance of financial institutions	3 (10%)	4 (13%)	1 (3%)	10 (33%)	12 (40%)

Source: primary data 2022

From table 5 shows that, 10% of the respondents strongly disagree, 17% disagree, 0% are not sure, 40% agree while 33% strongly agree that credit facilities have assisted them to expand their business. This means that majority of the respondents (40%) agree that credit facilities have assisted them to expand their business (Ramadhan et al., 2023).

Table 5 shows that, 13% of the respondents strongly disagree, 13% disagree, 7% are not sure, while those who agree and those who strongly agree are 33% that trade credit has been influential in increasing the sales volume of their business. This in all implies that, majority of the respondents both agree and strongly agree that trade credit has been influential in increasing the sales volume of their business.

Table 5 shows that, 17% strongly disagree, 10% disagree, 7% are not sure, 27% agree yet 40%strongly agree that bank overdrafts have assisted them to increase the profitability of their business. All in all, 40% (majority) strongly agree that bank overdrafts have assisted them to increase the profitability of their business (Gracious, 2023).

Table 5 shows that 10% of the respondents strongly disagree, 20% disagree, 3% are not sure, 33% agree while 33% also strongly agree that bank loans have helped them to establish new branches. From the above information, it means that, majority of the respondents both agree and strongly agree that bank loans have helped them to establish new branches.

Table 5 shows that, 7% of the respondents both disagree and strongly disagree, none of the respondents is not sure, 33% agree while 53% strongly agree that trade credit have helped them to increase the profitability of their business. It therefore implies that majority of the respondents (53%) strongly agree that trade credit has helped them to increase the profitability of their business.

Table 5 shows that, 17% of the respondents strongly disagree, 17% disagree, 7% are not sure, 33% agree while 43% strongly agree that trade credit has helped them to operate even if they do not have enough money. This clearly implies that majority of the respondents (43%) strongly agree that trade credit has helped them to operate even if they do not have enough money (Victor et al., 2022).

Table 5 shows that, 3% of the respondents strongly disagree, 7% disagree, 3% are not sure, 40% agree while
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47% strongly agree that bank loans are important in their business growth. This clearly implies that majority of the respondents (47%) strongly agree that bank loans are important in their business growth.

The overall findings on the relationship between credit financing and performance of financial institutions from table 5 indicated that, 3 respondents (10%) strongly disagree, 4 respondents (13%) disagree, 1 respondent (3%) is not sure, 10 respondents 33% agree while 12 respondents (40%) strongly agree with the overall evaluation of bank loan. This clearly implies that majority of the respondents (73%) of the respondents agree with the overall evaluation of bank overdraft. The findings on the relationship between credit financing and performance of financial institutions agree with the study of Professor Karlan (2003), of Yale University which stated that, micro financing begets the general tendency of a small business initially supported on credit to gain profits with time and generate micro savings. In his latest study, the famous two-time Pulitzer Prize winner, Nicholas Donohue also stated that there is no evidence of any negative influence of micro financing but countless examples of people now looking at the bigger picture and saving for better things have surfaced (Bank et al., 2023).

The relationship between credit financing and performance of financial institutions

Table 6: Correlations

	credit financing	Performance of financial institutions
Spearman's rho		
Credit financing		
Correlation	1.000	.669*
Coefficient		
Sig. (2-tailed)		.035
N	30	30
Performance of financial institutions		
Correlation	.669*	1.000
Coefficient		
Sig. (2-tailed)	.035	
N	30	30

*. Correlation is significant at the 0.05 level (2-tailed).

From the above findings, it shows that there is a strong relationship between credit financing and the growth of bank. At Pearson correlation coefficient $r = 0.669$. The results as depicted from the table above ($r^2 = 0.669$, $P = 0.035$) suggest a positive and significant effect on credit financing on the growth of bank in Centenary bank. The positive relationship means that when credit financing increases, bank also grow (Nelson et al., 2023).

Conclusion

The study discovered a strong relationship between credit financing and performance of financial institutions. This analysis of credit financing facilities and the growth of the bank is an important contribution to the literature of evaluating micro finance activities. The study findings showed that credit financing facilities enable the bank improve on performance thus overall growth. From the rank correlation considered in the study, there is a positive relationship between the variables.

Recommendations

From the study findings, the researcher recommends the following;

Banks should devise means they deliver credit financing facilities, improve terms and conditions under which financial institutions offer various credit facilities to bank.

The government of the republic of Uganda should partner with other financial institutions to provide subsidized financial/credit assistance to bank with little interest rates

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