

Investigating The Impact Of Credit Management On The Financial Performance Of Financial Institutions In Uganda, A Case Study Of Centenary Bank, Nakasongola Branch

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Abstract

This research sought to explore how credit management influenced the financial performance of Centenary Bank's Nakasongola branch in Uganda between 2020 and 2023. As effective lending activities are integral to banks' operations and results, the study aimed to investigate relationships between specific credit management processes and key metrics of profitability and asset quality at this financial institution. A comprehensive literature review was first conducted to understand international best practices in credit risk management and examine prior empirical evidence regarding its links to financial performance. Next, a case study methodology was employed utilizing diverse secondary data sources as well as primary interviews and document reviews. Centenary Bank's internal loan policy manuals, portfolio reports, and financial statements from the study period were analyzed in depth. In addition, guided discussions were held with various branch managers and credit officers to gain qualitative insights. Rigorous quantitative and qualitative analyses were then performed. From the findings, 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 results provided strong evidence that proactive lending behaviors, including streamlined sanctioning and active borrower engagement, had substantially positive effects on both profitability and asset quality outcomes over the four years. Conversely, periods of reactive, process-driven credit approaches coincided with short-term dips in financial metrics. Broader insights into optimizing credit management were also derived from triangulating quantitative and qualitative findings.

Keywords: Credit, Management, Financial and Performance

Background to the study

Effective credit management is vital to the financial performance and stability of any financial institution (T. Christopher, 2022). As financial intermediaries, banks play a key role in the allocation of financial resources through lending activities in both developed and developing economies (David et al., 2023). Specifically, in Uganda, banks form the backbone of the financial system by facilitating access to credit for individuals and businesses (Faridah et al., 2023). However, the lingering effects of poor lending decisions, inadequate monitoring and losses from loan defaults continue to hamper the growth and profitability of many lenders. Currently, non-performing loans in the Ugandan banking sector average around 5% of total gross loans, which is considered slightly high compared to international benchmarks (Julius, 2024). While large banks have relatively lower levels of impaired assets, smaller regional banks face higher NPL ratios that limit net interest margins and return on equity. Given the challenges in raising collateral and deficiencies in credit institutions, prudent credit risk management is paramount to the sustainability of banks' financial performance (Akankwasa et al., 2022). As one of the largest domestic commercial

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banks in Uganda with over 30 branches across the country, Centenary Bank recognizes that strengthening various aspects of credit management can help optimize its financial performance in the long run (Alex & Kazaara, 2023). Recent national statistics show that private sector credit from financial institutions accounted for only about 15% of GDP in Uganda for the fiscal year 2021/2022 (T. Christopher et al., 2022). This suggests that there is a huge untapped market demand to further develop the country's credit sector and promote more inclusive economic growth (T. Christopher & Turyasingura, 2024). However, stricter oversight of lending activities is needed across the industry to prevent excessive exposure that undermines the health and stability of banks. A close examination of specific credit policies, approval processes, portfolio monitoring techniques, collection practices and their correlation with changes in key profitability and asset quality indicators could yield important lessons (Julius, 2024). Such insights can not only help Centenary Bank increase its financial returns through better credit management, but also provide advice to peers on how to optimize performance in similar environments characterized by information gaps and legal constraints (Alex & Moses, 2024).

Centenary Bank has a credit management team, proper and clear credit management guidelines, which are the primary source of reference and guidance for credit management practices in financial banking (Ivan et al., 2023). 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. (Frank 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 the fierce competition in the financial sector (Polycarp et al., 2023). , which means it offers good interest rates, trains its loan officers to be competent in disbursing and collecting loans, but this is not consistent with the reality that bad loan portfolios are constantly growing, defaulters and write-offs are high (Polycarp et al., 2023). Therefore, the objective of the study is to investigate the relationship between credit management and financial performance in Centenary Bank (F. Christopher, Komunda, et al., 2022).

Statement of the problem

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

Despite all the above measures that Centenary Bank has taken to manage its loans, it is unfortunate that the financial institution continues to have some bad debts and a declining level of profitability (Julius, 2024). Poorly planned loan products and partnerships were common, a situation associated with a poorly managed credit management system in a commercial bank (Derrick 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 (Moses 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.

Specific Objectives

1. To examine the effect of credit terms on financial performance of Centenary Bank, Nakasongola Branch
2. To analyse the effect of credit assessment on financial performance of Centenary Bank, Nakasongola Branch

3. To investigate the relationship between credit control and financial performance of Centenary Bank, Nakasongola Branch

Methodology

The descriptive design was adopted, which aimed at assessing the effect of credit management on the performance of financial institutions in Uganda (Ramadhan et al., 2023). 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 (T. Christopher, 2022). 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 (Abiodun & Christopher, 2024). This was achieved using a survey questionnaire, observation schedule, and document analysis. The study population concentrated on the employees of Centenary Bank Ltd, Nakasongola Branch (F. Christopher, Moses, et al., 2022). According to the HR records, there are 50 employees at Centenary Bank Ltd, Nakasongola (Maiga et al., 2021). Based on the (Rasheed et al., 2022) sampling table the sample size was 40 respondents. The study employed both probability and non-probability sampling techniques. Purposive sampling was used whereby the researcher used his own decision and experience to determine which employees have in-depth information to take part in the study. Thus, the selection of the respondents was based on the researchers understanding with the respondents' possession of the required information (Nafiu, 2012). Therefore, purposive sampling was conducted for the top management staff of the bank branch. Quantitative data was collected using questionnaire survey method (A & Ahmed, 2019). 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. In-depth interviews were used to obtain data from key informants such as the proprietors and top management staff who were purposively selected because of the information they held (Rasheed 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 (Nafiu et al., 2013). 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 (Jallow et al., 2021). Initially, data was entered into MS Excel computer program for cleaning. The data was also imported to SPSS version 23 statistical software for investigation (Nelson et al., 2022). Quantitative data analysis entailed descriptive statistics and inferential statistics. Descriptive statistics involved analysis using frequencies, percentages, mean, charts, and standard deviation (Nafiu et al., 2013). The Analysis of central tendency and dispersion based on; a 5-point likert scale ranging from strong agree to strong disagree (Anwar et al., 2022). Similarly, inferential statistics was done based on the Pearson's correlation coefficient and linear regression analysis (Nelson et al., 2023). Quantitative data was analyzed by reporting of summary results in numerical terms and was presented using a percentage distribution technique but maintaining a

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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 (Jallow et al., 2021).

RESULTS

Table 1 Responses on credit financing facilities of Centenary bank

Statement	Strongly disagree	Disagree e	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 (Alex & Moses, 2024). This implies that the majority of the respondents 18 (60%) strongly agree that they use bank loans to supplement their capital.

From table 4.5 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 1 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 thy get is adequate.

From table 1 shows that, 33% strongly disagreed, 17% disagreed, 6% were not sure, 33% agreed yet 13% 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 respondent (50%) agreed that the credit officers have enough skills and experience to handle delinquent clients.

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.

The overall evaluation of bank loan from table 4.5 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: Descriptive statistics on 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 stipulated time	3 (3%)	5 (17%)	5(17%)	7 (23%)	10 (33%)
I always qualify for more trade credit facilities	4 (13%)	5 (17%)	3(10%)	9 (30%)	9 (30%)
Without trade credit facilities, my capital would be too small to operate my 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%)

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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.

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.

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 pay back in the stipulated time (Ivan et al., 2023).

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 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.

The overall evaluation of trade credit from table 4.5 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.

Table 3: Descriptive statistics on Bank overdraft

Bank overdraft					
I use bank overdraft to finance my business	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 be given 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.

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 and conditions attached on bank overdraft.

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.

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

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 favorably 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 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.

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.

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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.

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 favorably 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

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.

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 business growth	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.

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 (Faridah et al., 2023).

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.

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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 (David et al., 2023).

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 (Julius, 2024).

Table 5 shows that, 3% of the respondents strongly disagree, 7% disagree, 3% are not sure, 40% agree while 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.

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 $r = 0.669$ (Nelson et al., 2023). 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.

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

There should be assessing the needs of clients so as financial institutions develop credit facilities that best suit them.

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