

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

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Abstract

The study aimed at investigating the impact of credit management on the financial performance of financial institutions in Uganda with a case study of centenary bank, Kabira branch and it was guided by the following objectives; To examine the effect of credit terms on financial performance of Centenary Bank, Kabira Branch, to analyze the effect of credit assessment on financial performance of Centenary Bank, Kabira Branch, to investigate the relationship between credit control and financial performance of Centenary Bank, Kabira Branch. (Jallow et al., 2022). Based on the slovin's method, the sample size was 40 respondents. The study employed both probability and non-probability sampling techniques. Self-Administered Questionnaires (SAQ) was employed to gather data from the study elements in a structured manner (Turyatamba et al., 2022). 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, 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. 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.

Keywords: Credit Management, Financial, Performance and Institutions

Background to the study

(Alex & Moses, 2024) argue that credit management emerged in the 1960s and was primarily driven by global competition, technological change and the constant search for competitive advantage. In 2010, financial institutions began to recognize the impact of credit management by establishing risk management departments whose role is to measure rather than manage risk. Since all decision-making power was left on the head of the trader, credit management was powerless (Turyatamba & Turyasingura, 2024). The failure of microfinance institutions to manage their credit risk well in Uganda has resulted in serious disasters such as the closure of financial institutions. For example, the Bank of Greenland did not adhere to its stated lending policy and as a result large amounts of credit were extended to a small group of borrowers, especially insiders and companies associated with the Greenland group, usually without sufficient collateral and in violation of credit concentration limits (Turyatamba & Turyasingura, 2024). It was found that in some cases the loan was given only on the instructions of the then CEO and with no or very minimal documentation (Gracious, 2023). A substantial part of the loan portfolio was classified as non-performing, as principal and interest payments were in arrears for a considerable period of time. A November 30, 2018 report revealed that insider loans make up more than 40 percent of the gross loan portfolio (Julius, 2024). As stated in the

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theory, the study identifies four concepts namely; risk identification, credit assessment, credit control and organizational performance. Credit management is the process of providing credit, determining the terms under which credit is provided, collecting that credit when due, and ensuring compliance with the company's credit policy, among other credit-related functions (Ivan et al., 2023a). Risks in credit management can be considered 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 (Ivan et al., 2023b). Credit risk arises when the borrower is unable to repay the loan or when the credit rating deteriorates (Derrick et al., 2023). Credit management is defined as the identification, measurement, monitoring and control of risk arising from the possibility of loan default (Julius, 2024). Credit management was similarly conceptualized 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 Mpande and John Ogutu. In 1985, CRDT began providing financial services to the public. 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 predominantly domestic Ugandan commercial bank (Polycarp et al., 2023).

Centenary Bank has a credit management team, reliable and clear credit management guidelines, which are the primary source of reference and guidance for credit management practices in financial banking (Christopher et al., 2022). The team's goal is to support Centenary Bank's mission 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 profitability and revenue growth goals. (Racheal 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 cope with the tough competition in the financial sector, which means offering good interest rates, training its loan officers. to be competent in disbursement and recovery of loans, but this is not consistent with the reality that portfolios of bad loans are constantly growing, defaulters and write-offs are high (David et al., 2023). The study therefore aims to investigate the relationship between credit management and financial performance in Centenary Bank (Moses et al., 2023).

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 (Faridah et al., 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. (Polycarp 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 (Ivan et al., 2023a). 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 (Deus, 2023). Poorly planned loan products and partnerships were common, a situation associated with a poorly managed credit management system in a commercial bank (Barth et al., 2018). The increase in net loss and bad debts had an adverse impact on the decrease in sales revenue and profitability of the financial institution (Alex & Kazaara, 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, Kabira Branch
2. To analyze the effect of credit assessment on financial performance of Centenary Bank, Kabira Branch
3. To investigate the relationship between credit control and financial performance of Centenary Bank, Kabira Branch

Methodology

A descriptive design was adopted to assess the impact of credit management on the performance of financial institutions in Uganda. Descriptive research design refers to the systematic process of gathering descriptions of existing phenomena to describe or explain what is happening (Olanrewaju et al., 2021a). A descriptive research design was adopted for the study because it focuses on people and their characteristics, which enables the researcher to understand and explore the impact of credit management on the performance of financial institutions in Uganda. This was achieved using a survey questionnaire, observation plan and document analysis (A & Ahmed, 2019).

In addition, the descriptive design allowed the respondents to answer the questions asked through interviews or questionnaires and to describe the answers provided. The study population concentrated on the employees of Centenary Bank Ltd, Kabira branch. According to HR records, Centenary Bank Ltd, Kabira has 50 employees (Jallow et al., 2022). Based on (Nafiu & Ph, 2012), the sample size was 40 respondents. The study used both probability and non-probability sampling techniques.

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A questionnaire survey method is a set of questions used to obtain information from a large group of people in a given study (Jallow et al., 2022). The questionnaire was an effective data collection method due to the following advantages: it is standardized because the same wording is used for each administration; ensured confidentiality using a coding system. It may thus cover embarrassing, socially undesirable or illegal topics; it was, among other things, cheaper to administer (Nafiu, 2012). The method was used to collect data from mid-level employees and other lower-level employees within the bank as they were directly involved in SME operations. Self-administered Questionnaires (SAQ) were used to collect data from study elements in a structured manner (Turyatamba et al., 2022). The SAQ with one open-ended question per section was designed for SME employees to supply more or express their opinion, while the rest were closed-ended, aimed at testing perceptions using a five-point Likert scale measuring from Strongly Disagree as a response 1, Disagree as a response 2 . Not sure as answer 3 Agree as answer 4 and Strongly agree as answer 5 for ease of measurement variables (Rasheed et al., 2022). It is the process of bringing order, structure and meaning to the amount of raw information gathered to gain a sense of reliability and test research questions (Olanrewaju et al., 2021b). Initially, data was entered into the MS Excel computer program for cleaning. Data were also imported into SPSS version 23 statistical software for examination. Quantitative data analysis included descriptive statistics and inferential statistics (Nelson et al., 2022). Descriptive statistics included analysis using frequencies, percentages, mean, graphs, and standard deviation. Analysis of central tendency and variance based on; 5-point Likert scale ranging from strongly agree to strongly disagree. Similarly, inferential statistics were performed based on Pearson's correlation coefficient and linear regression analysis (Nafiu, 2012). Quantitative data were analyzed by reporting summary results in numerical values and were presented using the percentage distribution technique, but maintaining a certain degree of confidence (Nafiu et al., 2013). While qualitative data were analyzed in the form of texts and themes, impressions were explored and presented using descriptive methods for in-depth analysis to be generated from respondents' opinions and allow the reader to express themselves freely (Olanrewaju et al., 2021b).

RESULTS

Responses on credit financing facilities of Centenary bank

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%)

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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.

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 (Victor et al., 2022).

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 (Frank 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.

Table 2: Descriptive on Trade credit

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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%)

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 (Derrick et al., 2023). 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.

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 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.

Table 3: Descriptive 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%) agreed 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 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

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(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 2 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%)

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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.

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

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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%)
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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.

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. 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.

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.

The relationship between credit financing and performance of financial institutions

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This section addresses the third objective of the study which was to analyse the relationship between credit financing and performance of financial institutions. The results are presented as below;

Table 6: Correlations

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

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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.

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

Financial institutions should put in a provision of loan repayment periods extension for the bank.

More credit need to be availed to the bank given their significant role in the economic growth and development.

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