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**CREDIT MANAGEMENT TECHNIQUES OF COMMERCIAL BANKS: A
CASE OF BANKS LISTED ON THE GHANA STOCK EXCHANGE**

**A DISSERTATION SUBMITTED TO THE DEPARTMENT OF ACCOUNTING
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DEDICATION

This work is dedicated to my family.

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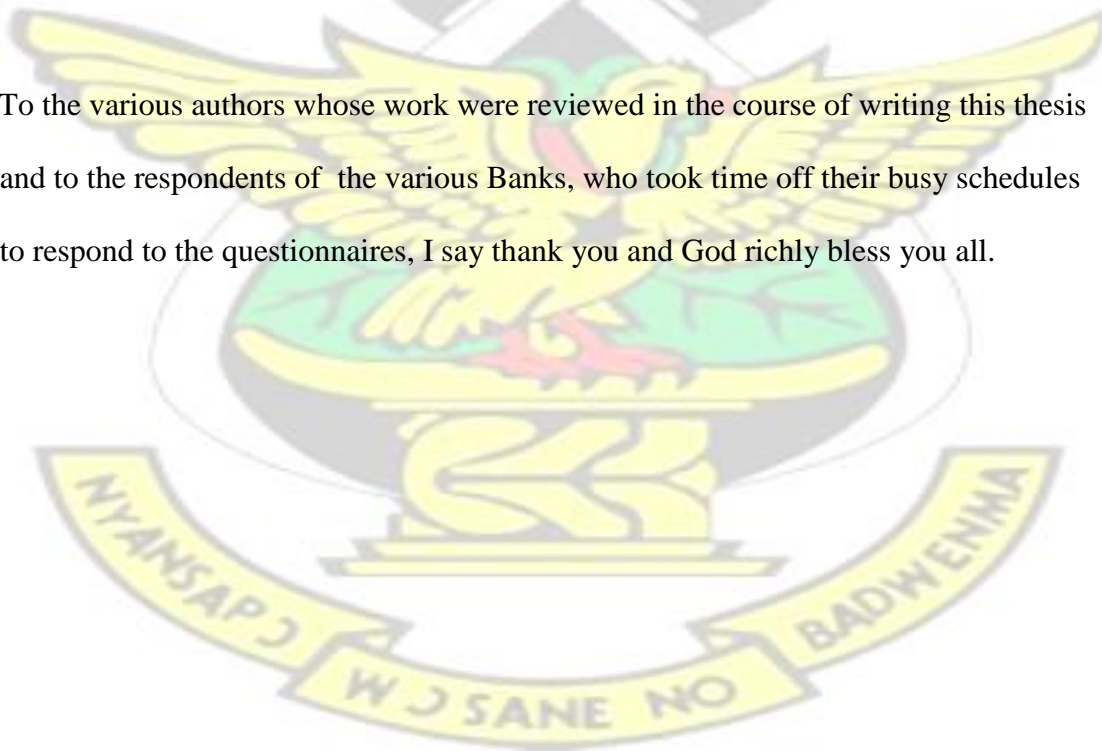


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ABSTRACT

The study investigated the credit management techniques being employed by the commercial banks to ascertain their soundness in line with the industry standards. Accordingly, this research sought to measure the following objectives thus; to ascertain the credit management techniques the understudied banks use in their loan administration, to assess the understudied banks credit management techniques ability to collect its loan on their schedule date and finally to assess the understudied banks non-performing loans for the period of (2006-2015). The target population for the study constituted all the commercial banks in Ghana listed on the Ghana Stock Exchange. Specifically the study sample came from five of the listed commercial banks; CAL bank, Ecobank, GCB, HFC and SG-SSB. Since the study was guided on the principles of quantitative methodology, this study used questionnaires as the data collection instrument. The questionnaire had three parts. The first part of the questionnaires set questions to find out the respondents demographic characteristics. The subsequent part of questionnaires had questions on the credit management techniques being employed by the banks. The third and final section looked at the measurement construct of study. It became evident in the study that the understudied institutions had written guidelines for approving loans likewise the banks employed both quantitative and qualitative credit risk management techniques.

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CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

It is well known that credit takes its root way back after the Second World War with which the Europeans have largely accepted it as a form of financial management and later on gain its root in Africa (Kiiru, 2004. According to Ditcher (2003) the concept of credit was initially not very popular within the US since banks at the time charged very exorbitant prices with respect to the interest rate hence, customers were not much interested in it. The author further added that things changed significantly during the late 80s when the the financial intitutions witness massive growth in their banks assets hence saw the need to reduce is interest in order to attract customers (Ditcher, 2003). However, the credit concept was appreciated during the early 50s when some banks started offering credit facilities to white inhabitants who were leaving in Africa (Moti, Masinde, Mugenda & Sindani, 2012).

Moti et al. (2012) argued that the most efficient way to manage credit within a financial institution is to purposefully identify customers' needs and manage your institution credit processes in line with the customers' needs. Therefore, in order for any financial institution to be sustainable in its business operations it has to give much attention to issues to poor loans and weak credit management systems which if not well thought out can collapse a well-functioning institution. Moti and colleagues again argued that for banks to have the capability to address their clients' needs and even get in new customers lies mostly on how its credit management system is functioning and also how it is able to facilitate quicker decisions in terms of credit approval. Therefore, an

institution credit administration system commences with the loan approval till the time the principal and the interest have been retrieved. On this note, it becomes a critical part of a credit negotiation since one in an onset cannot conclude to have finished with his task simply by saying he/she has acted very diligently before approving a client credit proposal. The success can only be confirmed when only the total amount plus the interest has been retrieved.

The recent worldwide credit crunch, which started somewhere in 2006 and peaked in 2009 coupled with the drop in the demands of the US housing market and its rippling effect on other economies, has truly demonstrated the fundamental importance of how credit management decisions is necessary for business sustenance (Brown & Moles, 2014, p.4). Ever since the US and the world's economy experience such market slump, it has become evident that either poor credit management actions were taken or whether the need to have appreciated how a financial institution ought to check its credit administration process thoroughly have been ignored by the industry top players. The effects of this financial meltdown have affirmed that bad loans agreement, either by a credit firm or government or an individual if not well thought out will have a serious ramification on all sectors of an economy being it global or local.

Admittedly, having credit management techniques in place is a proof of a good credit management practice. Nonetheless it has proven to be only appreciated in theory building and theory formulation and not based on the actual practice of adhering to it in the disbursement of credit facilities to clients.

Brown and Moles (2014) postulated that though credit administration might seem to be relatively simple thus agreeing as to whether to approve a person credit application, however evidence has shown that it requires extensive work in terms of analyzing a

client characteristics, business, abilities and even doing a subjective judgement to ascertain whether the credit will be repaid if approved or will not be repaid when eventually approved. The current bizarre occurrences within the financial industry show that banks ought to develop and implement more thorough credit management techniques that will guarantee its maximum return.

Hence, this work seeks to investigate the credit management techniques being used by the listed financial institutions in the Ghana Stock Exchange to ascertain their soundness in line with the industry standards.

1.1 Problem statement

The operations of financial institutions are much riskier simply because most of their asset base is loans and advances given out (Saunders & Cornett, 2014). However, before any financial institution will be able to advance loans to its customers it has to generate additional funds through deposits before it can perform this function. Hence, any act of not employing prudent measures in their loans advances will cause massive financial pressure on the banks when their depositors begin to withdraw their deposits. Also, among most times a financial institution has to provide loans and advances to their customers by using adequate credit administration processes thereby making returns for its shareholders and customers in able to be sustainable in an industry where intense competition appear to be the order of the day.

Recent findings from the PWC 2014 Ghana banking survey established in their report that even though there appear to be an increase in all the financial institutions fixed assets, nonetheless there seems to be a reduction in the industry revenue mobilization in terms of deposits accumulation (PWC, Ghana banking survey report, 2014). The industry's deposits reduced by one percentage point (i.e. 27percent) compared to its

previous year's growth rate which stood at 28 percent for the periods of 2008-2012. The decrease has triggered a fiercely competition among commercial banks in search for new depositors in order to grow their deposits portfolio. It was however not surprising when commercial banks introduce a lot of promotional packages in the quest of luring more depositors to their banks.

As competition within the industry has increased among banks within the last 5 years, banks share of the industry deposits have been dwindling profusely. For instance, GCB Bank Limited lost its market share of the deposits from 12.2% to 10% in 2013. Again with the exception of Ecobank Ghana Limited who witnessed tremendous growth on a year-on basis on deposits (from 9% in 2010 to 14% in 2013) the remaining banks whom previously recorded higher share of the industry deposits index all seem to be loosening their market share value (see for example, PWC, Ghana banking survey report, 2014).

This revelation even makes the concept of credit management even more demanding than previous years because now banks are unable to mobilize enough credit from its customers through deposits and hence will have to rely on a comprehensive and a more effective credit management system to ensure that the little funds that are mobilized and given out to borrowers will yield the expected returns thus void of excessive defaults.

More so, with reference to credit administration within the industry, the statistics have been somehow more worrisome. In the same report it became evident that most of the financial institutions gave out more loans within the period of 2006-2009 and as a result recorded huge bad loans in its financial reports. Again recent statistics equally corroborate PWC report when European Investment Bank (2015) report showed that Non Performing Loans for Sub Saharan African Middle Income Countries remain

higher at 7.8 percent (i.e. 2012-2013) compared to other Middle Income Countries in other regions which is at 1.6 percent (i.e. 2012-2013). Shockingly, the NPL ratio for Ghana alone ranged as high as 13 percent within the same study period which made commercial banks in Ghana to witness high loan default rate. This was not so surprising as statistics showed that Sahel-Saharan Bank Limited which had a marginal NPL ratio at 2.4% and 4.1% in 2010 and 2011 respectively all of a sudden witness a NPL ratio at 24.8% in 2013 (PWC, Ghana banking survey report, 2014). The question the researcher seeks to ask therefore is that what happened to its sound credit management system? Surely, things are not well with its credit management techniques and policies.

Hence, the argument that, the quantum of the amount one advances to customers as loans and advances could be a contributory factor to default rate cannot be entirely true. As the recent fact suggest Bank of Africa (BOA) which had just 2 percent share of the industry loans and advances in 2013 surprisingly performed poorly when it came to loans and advances impairment ratio in the industry ranking, its NPL ratio stood at 20.1% which comparatively is not acceptable looking at the highest placed bank with the highest loans advances then thus, Societe Generale Ghana Limited (SG-SSB) which had over 4.8% share in the industry's loans and advances nearly had a NPL ratio just a little over 5%. Therefore, there is a need to investigate the credit management techniques being used by the financial institutions to ascertain their soundness in line with the industry standards.

1.2 Objective of the Study

The main focus of this research was to measure the credit management techniques being employed by some listed commercial banks in the Ghana Stock Exchange.

Specifically the study hopes to achieve the following:

1. To identify the credit management techniques being employed by the banks in its loan administration.
2. To evaluate the banks credit management techniques ability to collect its loan on their schedule date.
3. To assess the understudied banks non-performing loans for the period of (2006-2015)

1.3 Research questions

1. What are the credit management techniques being employed by the banks in its loan administration?
2. To what extent do the credit management techniques the banks use have the ability to collect its loan on their schedule date?
3. What is the trend analysis of the total nonperforming loans of the listed banks from the year 2006-2015?

1.4 Justification of the Study

Most successful firms most especially banking institution have folded up or witnessed massive distress because of their inefficient credit administration process (LawerTetteh, 2012). As statistics by the Ghana Statistical Service and the Bank of Ghana continue to show a downward trend in the overall economy performance with 2015 annual growth hovering at 3.9 percent compared to what was achieved in 2011 thus, 14 percent, this presupposes that banks would have to tighten their lending policies since a huge chunk of net loans and advances constitute the industry operating asset (PWC Ghana banking survey, 2014) hence, failure not to have an adequate credit management practices in place will be very detrimental to the industry survival. Therefore, findings from this this

research will be of much importance to the banking institutions since it seeks to focus on how banks implement their credit administration processes. Equally, this research will look at the different techniques the banks use in their loan administration with which it will help the industry to identify the techniques with the much impact.

Likewise, both the academia and the industry will gain much insight in relation to the banks credit management practices. This research will give practitioners relevant information on some of the best credit management practices. Also in academic cycles, the study will provide information as to the type of credit management techniques commercial banks in Ghana employ in their loan administration. Additionally scholars will not rely on these findings as a term of reference, however further new areas will be identified for additional studies.

1.5 Research Methodology

This study will follow the principles of quantitative research design. Accordingly, the study will be guided by the descriptive research methodology. Saunders, Lewis and Thornhill (2009 as cited in Asante, 2015) opined that when a study is interested in describing an event, persons or identifying a phenomenon then descriptive methodology is the best approach to employ. It is mainly concerned with identifying the frequency with which something occurs or the relationships between variables.

Hence, the descriptive method is seen as the best research design for this study; since this research seeks to ascertain the credit management practices that are employed by some selected commercial banks in Ghana.

1.6 Scope of the Study

The study population study will be drawn from the commercial banks within Ghana. The study area for this thesis will be only the financial institutions that have been listed on the Ghana Stock Exchange as at the time of the study. The study population will only come from management and credit officers within the bank.

1.7 Limitation of the study

Though precautionary measures will be put in place in ensuring that this propose research will be void of shortcomings in order to make it an ideal study nonetheless, there are other activities or situations that the researcher will have little or no control over and likely to affect the outcome of the study.

Admittedly, a national survey study would have ensured a more representation for the study sample since this study will be of great relevance to all banks, non-bank financial banks (extend credit to borrowers) and the regulatory agencies; however, the study will use some listed commercial banks within the Ghana Stock Exchange as the study population. Therefore, the results will not be able to be generalized to other banking and financial institutions that deal with credit, hence, a more national survey will be needed to address this concern. A final limitation is that the decision to participate in this research will be an act of will and hence some participants will choose not to participate therefore will limit the generalizability of the findings.

1.8 Organization of the Study

The study was structured into five chapters. Chapter one constituted the Introduction which presented the Background of the Study, Statement of the Problem, and Research Questions. Others include Purpose of the Study, Limitations of the Study, Scope of the Study, and Organization of the Study. Chapter Two main focuses was related literature whereas Chapter Three dealt with the Methodology the study

employed. Chapter Four on the other hand dealt o the study Results and Discussions whiles finally, Chapter Five presented the Summary of Findings, Conclusions and Recommendations.

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CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the study concepts as well as the nature of credit risk, the theoretical framework with which the study employed methods of credit risk management, and the previous studies on credit risk management practices within the financial sector.

2.2 Definition of concepts

According to Ditcher (2003) the concept of credit was initially not very popular within the US since banks at the time charge very exorbitant prices with respect to the interest rate hence, customers were not much interested in it. The author further added that things changed significantly during the late 80s when the financial institutions witness massive growth in their banks assets hence saw the need to reduce is interest in order to attract customers (Ditcher, 2003). However, within the African context it really got be acknowledged in the early 50's when some banks decided to advance loans to foreign inhabitants (Moti et al., 2012).

Credit is a facility which permits an entity to grant a financial resource to another entity where in this case the receiving does not have to repay the facility immediately however agreed on when to pay the received facility at a different schedule (Sullivan et al., 2003 as cited in Tetteh, 2012). The resources granted could be either financial or material depending on the purpose for the facility. Hence, advances take the form of delayed facility which is provided by an entity, referred to as a creditor, to another entity which is called a borrower. Tetteh (2012) posits that loans are normally given to an entity with

the assurance that the receiver or the borrower will pay in the near future. More so, persons, entities and even nations acquire credit for various purposes.

Additionally, the rational and forms of loans and advances are categorized into either a short form, medium form and long form credits. Accordingly, a short term credit means credit facilities (e.g. individual loans) given out to an individual with the expectation that the receiver ought to pay in a period not more than a period of five years. Medium term advance on the other hand mostly for SMEs are credit facilities given out with the anticipation that it will be paid within a scheduled period of five to ten years. Finally, long term facilities are normally given out to corporations and mostly advanced to corporations with the expectation that it will be received in a period of 10 years and over. However, within the context of the financial institutions in Ghana much of the loans and advances given out to entities fall within the short and medium form of credit.

Koch and MacDonald (2014) assert that financial institutions risk fall within the types of credit risk, liquidity risk, market risk, operational risk, reputation risk and legal risk. However, the objective of this study is to assess how effective the understudied financial credit management practise are hence the focus of this study is on credit risk therefore the other remaining risks will not be examined in this study hereinafter. Credit risk over the years has proven to be one of the primary forms of risks banks are exposed to due to their business operations are. Psillaki, Tsolas, and Margaritis (2010) have argued that with an efficient credit administration processes in place, financial institutions will be able to ensure the sustainability of their business operations and likewise contribute in ensuring economic growth as well as adequate capital distribution to all sectors of the economy. It has been established that the continue default of banks

clients if not well checked will eventually lead to create a huge stress on financial institution ability to meet its liquidity issues as when they arrive (Gestel & Baesems, 2008). Equally the Basel Accord established in their session that credit risk continue to be a major issue within the financial sector that ought to be addressed.

Similarly, Boffey and Robson (2007, p.66) corroborates the views of Basel Accord when they equally identified credit risk as the main risk inhibiting the operations of most banks. Credit risk encompasses a situation which will culminate with a huge situations of a lender not paying his due when the schedule date eventually arrive (Koch & MacDonald, 2014).

Surprisingly, findings from the International Financial Reporting System (Jurisdiction Profiles, April 2014) and PwC report "IFRS adoption by country" (April 2013) shows that Ghana is yet to fully implement the Basel II accord. Also with regards to the Basel I core and principles its implementation and acceptance is even less than 50 percent within the Ghanaian financial industry.

2.3 Theoretical framework

Within the financial literature several theories such as; modern portfolio theory, arbitrage pricing theory, information theory, asset to asset based theory have all been identified as a approaches of remedying credit risk factors within a credit management system.

Nonetheless, this study will be guided by the Modern Portfolio theory formulated by Markowitz (1952; 1959). The theory asserts that investors both institutional and individual ought to consider how to diversify its assets, (i.e. in this case banks ought to

diversify its loans and advances to its customers) in order to minimize the plausible risks and realize an optimal returns. The modern portfolio theory is a critical theory in finance especially in the area of credit management and investments. This theory tries to look for the most efficient combination of assets to increase their investment returns within an identified risk or possibly reduce the level of risk associated with a particular client or investment. Markowitz, Hebner and Brunson (2009) argue that financial institutions should perform a risk-return analysis at the asset basis category. This is to ensure that banks have to perform future estimates of the likely returns and risks of its lenders and the various asset classes that it has acquired.

Markowitz and colleagues (2009) further posit that investing in a wide range of assets is of very important and likewise the level of risk exposure is also appropriate for each individual or entity to consider prior to any investment decision. To them the identification of an investor's proper risk exposure depends on five dimensions of an investor's risk capacity. These five dimensions include: time horizon and liquidity needs, net income, net worth, investing knowledge and attitude toward risk.

(—Investor here may refer to an individual, family or institution). Finally, the investor should be educated as to what risk exposure of borrowers (investment funds) provide the portfolio with the risk-return combination that is in keeping with their risk capacity.

Accordingly Markowitz et al. (2009) underscored that financial institutions at any point in time should look back at the past, and make their estimates and decisions for the future. Hence, it is obvious to note that the future is always uncertain and for that reason financial institutions at any point in their lending decisions should make their best estimates for —the next spin of the wheel, and then choose an appropriate point from the implied risk-return trade-off curve.

On this call Markowitz and colleagues (2009, p.12) again argued that for any choice of portfolio, banks will have to follow the old (but still true) adage, —Don't put all your eggs in one basket.¶

Additionally, since the 1980s, several financial institutions have used the modern portfolio theory in managing their credit risk. Likewise several institutions are employing the value at risk models to control their interest rate and credit risk exposures. Margrabe (2007) underscored that although credit risk continue to be the greatest risk facing financial institutions in their business operations nonetheless, the decision to employ this theory in managing this risk continue to be minimal. Some entities have identified how bad financial management through poor loans can impact negatively on their performance. As such, a number of credit organizations have begun to use various forms of different approaches in managing their institution credit risks. Hence, the industry has significantly made some head way in in coming out with tools that can adequately identify the risks their institutions are exposed to. They are also employing tools such as the market derivatives whereby risks outside the scope or capabilities are transferred to a different entity to manage on their behalf. The decision to adopt varying tools and approaches in handling credit risk have improved the handling of credit risk in a more diversified context (Kairu 2009). For instance, banks in an attempt to manage their credit risk will choose to lend to different sectors of the economy with the objective of diversifying their portfolio and minimizing the level of risk that they may be exposed to. Hence, a bank will choose not to advance all his credit to SMEs sectors but will try to diversify into other sectors such as the mining, corporation, manufacturing and service sectors so that in case any economic downturn

occurs within a particular sector it will be able to recoup its investments from the remaining sectors that have not been affected by the economic downturn.

Hence, the study tends to adopt this theory to measure how commercial banks in Ghana are able to diversify their loans and advances to their various segment of the market in order to minimize their credit risk (Non-performing loan ratio).

2.4 Risk Management

Risk management is concerned with minimizing an uncertainty associated with an investment decision. An adequate risk management process ought to have the capabilities in identifying the risk an entity is exposed to, assess and measure the magnitude of the identified risk and finally formulate plan to tackle it (Van Gestel & Baensens, 2008). The entire risk management processes involves the identification process, assessment, the treating of the risk and finally the evaluation of the implemented processes. The risk management start with the identification of institution risk factors which involves assessing the potential sources of risks or defining threats within an institution. However, an institution can effectively manage or address the risk their institution is exposed to, the institutional heads of the bank ought to know and understand the forms and kinds of risks their banking operations face. The key exercise that has to ensure during risk identification is that all the categories of risk the institution is exposed to have to been identified in the preliminary stage. More, different approaches can be employed at this stage in the identification of the institution risk. For instance, knowing all the possible risks factors a borrower are espoused provides a predictive means of knowing whether the borrower has the ability to pay back the loan or not.

The next step under the risk management is the measurement stage. Here management needs to rate the risk in terms of its impact on their business operations that were identified at the initial stage of the risk management process (Van Gestel & Baesens, 2008, p.42). At this stage institutions ought to assess the exact default rate and equally how often a risk will occur when there is a case in the risks causal factors. During this stage, both quantitative and qualitative tools can be employed to assess the risk impact and occurrence rate (Van Gestel & Baesens, 2008, p.42).

The subsequent stage at the risk management process is the stage where the identified risks are to be treated (Van Gestel & Baesens, 2008). Risks can be controlled or managed through different approaches viz: risk avoidance, risk reduction, risk acceptance and risk transfer (Van Gestel & Baesens, 2008). Avoiding risk is a tool which entails selecting clients, assets or investment options which are not viewed to be too risk sensitive (Van Gestel & Baesens, 2008, p.43). Avoiding risk is not necessarily taking out all forms of risk from entity business operations. However, the financial entity can either choose to invest in counterparts or clients low probability to default in its loan payment or possibly choose to give out its credit to low segment of customers who has the high potential to default in their loan repayment (Van Gestel & Baesens, 2008). The risk minimization on the other hand means that a credit institution will have to minimize the aggregate of risks it intends to accept by taking an asset from the borrower as a protective measure to safeguard any future defaults. The decision to accept a particular risk is normally associated with investment options that are seen as less risky to invest in (Van Gestel & Baesens, 2008). Here the focus is to diversify your institution assets into different sectors of the economy. Additionally, transferring risks

means that taking out the risk from portfolios and giving it out to entities who can accept the clients risk on the banks behalf. This will in a way provide a form of guarantee to the institution (Van Gestel & Baesens, 2008, p.43). Finally having gone through all these processes the risk management process should be fully implemented (Van Gestel & Baesens, 2008). At this stage all forms of resources thus, both human and material ought to be in place this is to ensure that the processes become stified from adequate resources (Van Gestel & Baesens, 2008). Equally, procedures on for the implementation process has to be in place thus, providing guidelines which client to approve their request; which one not to approve their requests, both the upper and lower limits the entity will tolerate have to be identified; and finally whether an asset in the form of a collateral for credit facilities will compulsory or not (Van Gestel & Baesens, 2008, p.4). Such implementation of risk management is usually supervised by senior management and the risks need to be continuously reported and monitored (Van Gestel & Baesens, 2008, p.43).

Again in order to ensure that a risk management process become efficient and effective at the end then the process has to be contiguously evaluated and assessed to ascertain whether they are in line with the entity risk management goals and objectives. The aim of this exercise is to ensure that the final risk initiative being implemented were in accordance to the earlier strategies and also as to whether they were eventually acted upon according to plan. Specifically, it entails the risk causal factors and risk agents (Van Gestel & Baesens, 2008, p.43).

Gestel and Baesens (2008) assert that the main aim of implementing a risk management strategy are as a result of the fact that financial institutions business operations have evolved over time and hence making its implementation more important than before.

Additionally, since the inception of other activities like the taking of cash deposits, borrowing and money lending services have made it imperative for banks to have in place appropriate risk management measures in order to be able to be in a better position to respond appropriately to any form of risks that it may be exposed to. Also since many countries regulating bodies and agencies require financial institutions to have risk management in place banks now have no option other to implement it (Hull, 2012, p. 16). Also, Li and Zou (2014) underscored that it will be an error to believe that just meeting regulatory requirements in place prove that one has an adequate sound and scientific risk management system. Hence, the Basel Accord III has even place more emphasis on the need for banking institutions to have in both in theory and practice adequate internal measures to control their firms' risks exposure.

Equally heads of financial institutions adequate risk management structures and policies to know where to channel their institution funds to and likewise the where it is permissible to have its risk very up to where not tolerate such endeavours in order to meet the imposition of players thus its capital, creditors and regulators (Pyle, 1997). Also measures to employ to assess positions and create the necessary motivation to be tactful when taking risk. On the other scale, risk management entails the means whereby financial handlers identify their institution potential risks, obtain dependable, understandable, operational risk measures, deciding which risks need to be handled and by which approaches, and identifying procedures to monitor the resulting risk position (Pyle, 1997, p. 2).

2.5 Credit Risk Management

Brown and Moles (2014) identified credit risk management as the process of handling the all the possible risk factors associated with their institution credit risk. The authors again added that the processes associated with credit risk management are pursued in a systematic process namely: the risk identification stage, assessment and management. The first stage being it the identification stage is to identify all the causes of a potential risk, and likewise the impact of the risk ought to be measured and final steps have to be undertaken in relation to how the various risk identified have to handled. Therefore, establishing which borrower is likely to default on his payment is termed as credit risk management. Varying degree of tools have been established in the managing of an institution credit risk process viz -a -viz ; the use of subjective tools such as personal judgement as well as the use of objective tools such as relationship tools and other statistical assumption, in order to identify credit risk and a potential defaulter. Accordingly, when the entire assessment process is completed then the quantity or the quantum of risk to accept or reject can be established.

Hettihewa (1997) on his part postulated that credit management is very relevant since the decision to advance a credit facility to a client means the entity has eventually agreed to invest in the customer business or personal life. Similarly, Mensah (1999) shared the same views when he underscored how relevant credit management is because; a bad credit decision will ultimately affect the sustainability of any financial institution.

It is on the aforementioned concerns that Brown and Moles (2014) made a fascinating appeal on the importance of credit management when the researcher argued that though credit administration might seem to be relatively simple thus agreeing on whether to

agree or approve to a person credit application, however evidence has shown that it requires extensive work in terms of analyzing a client a characteristics, business, abilities and even doing a subjective judgement to ascertain whether the credit will be repaid if approved or will not be repaid when eventually approved.

Likewise, the main tenet of a credit risk management is the development of a plan that will state entity goals in relation to its risk appetite, its credit approval processes, and credit risk rating system; risk adjusted pricing system, loan-review mechanism and comprehensive reporting system (David, 1997). The main processes associated with the management of an institution credit risk can be categorised into either as preventive approach or curative approach. The tools associated with the preventive principles entails the risk identification, risk assessment and risk pricing, early warning system to pick early signals of future defaults and better credit portfolio diversification. The curative measures focus is to reduce post-sanction loan losses through such steps as securitization, derivative trading, risk sharing, legal enforcement etc. Admittedly, it is widely accepted that an ounce of prevention is worth a pound of cure (Das et al., 2005). This confirms the relevance it is to guide credit offerings with appropriate and adequate strategies and mechanisms that can guarantee the operations of an institution as possible defaulters and likewise protect the banking industry from any possible collapse.

On this belief, credit risk management in financial institutions has even become more crucial for the sustenance and growth of financials entities than previously (Afriyie & Akotey, 2012). It is a structured approach of uncertainty management through risk assessment, development of strategies to manage it and mitigation of risk using managerial resources (Afriyie & Akotey, 2012, p. 3). According to Afriyie and Akotey

(2012) the approaches used in managing an institution credit risk could take the form of transferring the banks risk to other entities who will have the capabilities to handle it or in other instance avoid the risk eventually or possibly minimised the adverse impact a potential risk will have on the entity business operation and finally if possible accept a portion which in the view of the financial institution easier to handle to control.

Gestel and Baesens (2008) assert that an institution credit risk can be handled in different means. To them the first and the most relevant approach commences with the identification and selection of the counterparts who are credit worthy (Gestel & Baesens, 2008). The second approach is to have an effective risk management tools as well as competent credit officers at their disposal (Gestel & Baesens, 2008). The authors again added that in circumstances where a bank may still want to invest with a client who has a high potential of defaulting, the bank may require a fixed asset in the form of collateral to use as a security to protect any possible default.

The subsequent approach is the risk appetite an institution will be willing to undertake. The risk appetite will give the lower and the upper limit of an institution risk levels thus the extent to which an institution managers will be allowed select their portfolios or investment options from (Gestel & Baesens, 2008). The purpose of this act is to prevent possible circumstances where one loss or aggregated number of losses can affect a bank liquidity issues (Gestel & Baesens, 2008).

The third approach is the decision to choose wide range of portfolios in order to protect the investment from any unforeseeable challenges (Gestel & Baesens, 2008). With this approach financial institution may decide select clients or approve clients request from different segment of the economy with the view of avoiding over concentration on a single market. Finally, banks could also protect their risk by investing in other

derivative which will not in any way be related to its line of business (Gestel & Baesens, 2008). The various enlisted approaches broken down into daily routines through written institutional policies and procedures which vividly prescribed how a borrower had to be selected from the lots, the credit risk profile and finally how the evaluation processes have to be done (Gestel & Baesens, 2008).

To conclude, having an effective risk management systems help to address issues such as; drawbacks like credit concentrations, lack of credit discipline, aggressive underwriting to high-risk counterparts and products at inadequate prices (Gestel & Baesens, 2008, p.44). Likewise an effective credit risk management can be ascertain by an institution internal mechanism such as risk control structures and auditing systems which assess credit discipline, loan policies, approval policies, facility risk exposure and portfolio level risk (Gestel & Baesens, 2008, p. 44).

2.6 Credit Assessment Methods

Credit assessment is the approaches employ to reduce all forms of risks associated with credit administration process. It involves identifying the financial capabilities of a loan applicant, determining the possibility of any default as well as ensuring that the loan repayment rate of loans application are reduced to the minimal levels. Overall, credit assessment process is informed by the loan officer's subjective assessment (or judgmental assessment technique). For instance, when a writes for a loan, an officer of the bank will assess all available variables to ascertain whether the credit proposal meets the risks appetite thus credit risk limit. Credit analysis entails the default to risk ratio, where a credit will assess the applicant's capability and willingness to repay in the near future.

Most at times a financial institution loan officer often employ the five C's of credit rating to focus their assessment on the main determinants of borrower creditworthiness.

Lawrence (1997, pp.776-777; Sumon-Das & Shilpi-Das, 2007), identified the five C's of credit as; Character, Capacity, Capital, Collateral, and Conditions.

Character: Brown and Moles (2014) defined character as the integrity of the business or the individual. Honest borrowers of good character are more likely to meet their obligations. Tools employed in assessing the applicant character are; record of meeting past obligations, payment history as well as any pending or resolved legal judgments against the applicant are used to evaluate an applicant's character.

Capacity: It looks at the applicant's ability to repay the requested credit. Financial statement analysis, with particular emphasis on liquidity and debt ratios, is typically used to assess the applicant's capacity.

Capital: The financial strength of the applicant as reflected by its ownership position. Analysis of the applicant's debt relative to equity and its profitability ratios are frequently used to assess its capital. Here, emphasis are place on the applicants cash flow to ascertain whether his business could generate the needed cash to pay back the credit on time or he himself has a potent sources of income that could be used to service back the loan facility.

Collateral: This refers to the amount of assets the applicant has available for use in securing the credit. It is assume that the larger the amount of available assets, the greater the chance that a firm will recover its funds if the applicant defaults. A review of the applicant's balance sheet, asset value appraisals, and any legal claims filed against the applicant's assets can be used to evaluate its collateral value as well. Nonetheless, is has become evident that confiscating clients assets or collateral as a result of loan default has proven to be more difficult to achieve due to the legal processes the bank

has to satisfy before they can eventually have access to these facilities. Hence, due diligence on the part of credit officers has always being the best solution when it comes to protecting a company from possible default.

Conditions: The current economic and business climate as well as any unique circumstances is equally considered by the creditor before credits are eventually approved. For example, if the firm has excess inventory of the items the applicant wishes to purchase on credit, the firm may be willing to sell on more favourable terms or to less creditworthy applicants. Similarly, analysis of the general economic and business conditions, as well as special circumstances that may equally affect the applicant or firm are also considered to determine its impact on client's repayment rate. The credit analyst typically gives primary attention to the first two C's thus, character and capacity-because they represent the most basic requirements for extending credit to an applicant. Consideration of the last three C's-Capital, Collateral, and Conditions- is important in structuring the credit management and making the final credit decision, which is affected by the credit analyst's experience and judgment.

According to Golden and Walker (1993), there are equally five Cs of other factors that generate defaulters as well which has to be guarded against in order to prevent any problems. They include: Complacency, Carelessness, Communication breakdown, Contingency, and Competition.

Complacency refers to the tendency to assume that because things were good in the past they will be good in the future. Common examples are over reliance on guarantors, reported net worth, or past loan repayment success because it's always worked out in the past.

Carelessness involves poor underwriting, typically evidenced by inadequate loan documentation, a lack of current financial information or other pertinent information in the credit files, and a lack of protective covenants in the loan agreement. Each of these makes it difficult to monitor a borrower's progress and identify problems before they are unmanageable.

Loan problems often arise when a bank's credit objectives and policies are not clearly communicated. This is as a result of "communication breakdown". Management should articulate and enforce loan policies, and loan officers should make management aware of specific problems with the existing loans as soon as they appear.

A **contingency** refers to lenders' tendency to play down or ignore latent signals that the applicants could default the credit facility if the loan is granted.

Competition here means that following competitors' style and approach rather than maintaining the bank's own credit standards. Competition among financial institutions in terms of growth, profitability and the desire to be a market leader have the ability to cause financial institutions to lower their standards or improperly price their loan products. This could result in higher cost of increasing non-performing loans.

2.7 Causes of Credit Risk

Gestel and Baesens (2008) mention that there can be many reasons for credit default. To them they identified factors such as, when the borrower is in a very stressful situation financially and may be battling with a possible bankruptcy. Again technical factors are equally seen as some of the contributing factors to loan defaults; it is usually caused by the inability of an institution credit management processes to collect the necessary information that will enable to make its own conclusion on whether to approve an applicant proposal or not (Gestel & Baesens, 2008).

Credit default can also be attributed to a bad trading in derivative market. Also it can also be due to a credit migration such as a downgrade in credit rating (Choudhry, 2011, p.131), or when the entity still decides to advance loan to a person whose risk profile has worsened (Choudhry, 2011, p. 131). Also in other instances like liquidating an asset a credit default could also arise. For instance, the amount at which the debt was sold was quite lower than the amount at which the debt was purchased by a financial institution, which induces a net loss of bank on the market (Gestel & Baesens, 2008, p.25).

Mostly in practice the loss for the credit firm does not have to be high. The loss of default is based on the percentage that one can retrieve from the obligor and the total exposure to the counterpart (Gestel & Baesens, 2008, p.25). The recovery may depend on the presence of collateral and guarantees (Gestel & Baesens, 2008, p.25).

Afriyie and Akotey (2012) postulated that credit risk of a financial entity could be due to the inefficiency of an internal structures, ineffective credit approaches, ineffective board of directors, low capital adequacy ratios and liquidity, compulsory quota lending as a result of government interference and lack of proper supervision by the central bank. Hence, with an effective risk management in place, a financial institution can improve their long term performance and minimize their risk they are exposed to in the cause of their operations.

Moreover, Lawer-Tetteh (2010) on his part argues that economic changes have a direct relationship with credit default. This means that the difference in the national economic indicators such as; income levels, inflation rate, exchange rate and unemployment will have a direct impact on the credit and financial assets availability.

Liquidity crunch or financial problems has the ability to impact on borrowers' ability to fulfil their obligation. In addition legal and regulatory change could cause financial institutions to change how they oversee a transaction, as well as the quality and ability of debt collection.

Likewise Lawer-Tetteh (2010) affirmed Afriyie and Akotey earlier views when the researcher established in his work that credit officers without the necessary expertise in the activities they are responsible for, be it credits, investment, management of problem assets or new products, can lead to poor lending practice, ineffective administration, and eventually, loss to financial institutions.

Similarly, the researcher again established that under-writing standards also increase credit default rate. Lenient credit underwriting can incur losses to financial institutions especially when debt repayment cannot be demanded or collateral cannot be seized in time. Many credit risks arise from deficiency in underwriting standards and credit monitoring.

2.8 Overview Of The Banking Industry

Presently, the Ghanaian banking industry is highly saturated consisting of 34 universal banks, 137 rural and community banks, and 58 non-banking financial institutions including finance houses, savings and loans, leasing and mortgage firms. (BOG website, 2016).

Also the figures available in relation to the financial entities fixed and non-current assets was over 30 percent in 2013 financial year with its deposits likewise growing by a margin of 27 percent compared to the five year historic (2008 – 2012) average growth

rate of 28% (PwC Ghana banking survey report, 2014). Also, Net loans and advances of GH¢11.68 billion represented a year-on-year growth of 40 percent in December 2012 compared with a slower growth rate of 19.7 percent in December 2011(BOG Monetary Policy Report Vol.5 No.1/2013).

Additionally, the banking sector is regarded as one of the intense and fastest growing in the country service sector with bank branches increasing by 11.3% from 309 to 344 between 2002 and 2004 with 81 new branches springing up between 2004 and 2006 indicating an increase of 23.5%, (Bank of Ghana website).

Recent and emerging developments suggest that cost of competitiveness, customer sophistication, technology, regulatory changes and a unitary framework in employee relations are the main drivers of change and most banks are adapting to these changes for growth and profitability. As per the Ghana Statistical Services final 2012 GDP and revised 2013 GDP published in April 2014 the services sector accounted for about 50.6% to total GDP for 2013 (2012:50%) and grew by 9.2% for the year (2012: 10.2%). With Financial and insurance activities contributing a growth of 12.1% (2012: 23.4%) (Budget statement 2014; Ghana Statistical Service: Provisional GDP for 2013 & PwC analysis).

The industry is regarded as one of the most managed and well regulated characterised with both foreign and locally owned banks employing various forms of management practices for the industry success stories. Nonetheless, recent statistics show loans and advances characterised a higher percentage point of banks net operating assets. The historical breakdown of the banks operating assets from the year 2010-2013 is presented in Figure 2. The figure below shows that huge chunks of net loans and advances

constitute the industry operating asset hence failure to have an adequate credit management practices in place will be very detrimental to the industry survival.

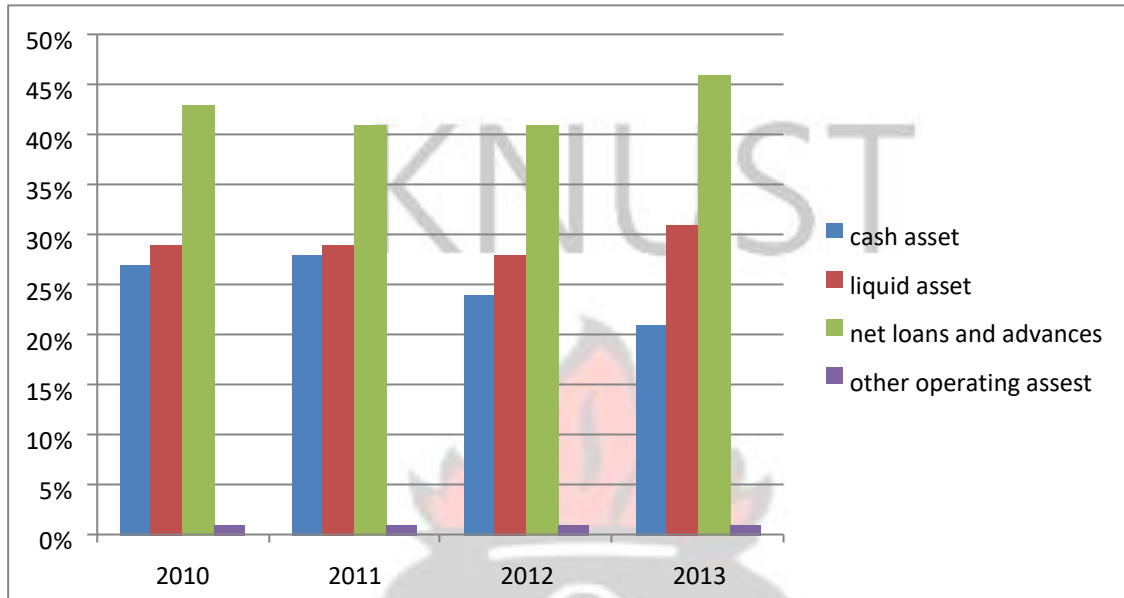


Figure 2.1: Composition of Industry Operating Assets

Source: PWC, Ghana Banking Survey, 2014.

2.9 Empirical Reviews

Previous studies have shown positive relationship between financial institutions nonperforming loan rate and their credit administration processes. For instance, the studies of Brewer and Jackson (2006) employed banks non-performing loans (NPLs) to total assets ratio (NPLR) as a measurement indicator of their credit administration processes. Equally, Tafri, Hamid, Meera, and Omar (2009) on their part measured the association between banks credit management and performance of some selected Malaysian banks for the study period of 1996-2005. Their study established that there is a statistical association between banks credit management and their performance.

Gakure, Ngugi, Ndwiga and Waithaka (2012) on the other hand measured the impact of credit risk administration skills on the performance of bad loans given out by some banks in Kenya. Their study concluded that credit risk management techniques have direct relationship with unsecured loans. Though Gakure et al. (2012) work did look at credit risk management techniques however its purpose was not to assess its effectiveness as this study seeks to do now. Hence, the present study is different from the works of Gakure and colleagues.

More so, quite recently a study by Bayyoud and Sayyad (2015) sought to ascertain the association between credit risk management practices and firms profitability in both Palestinian investment and commercial banks. The study established that the credit management techniques a bank use impact positively on its financial performance. Admittedly, their study somehow examined commercial banks credit management practices nonetheless it did not measure its effectiveness and its impact on loans recovery as this work seeks to achieve.

Again, Afriyie and Akotey (2013) examined the impact of credit risk management on the profitability of rural and community banks in the Brong-Ahafo Region of Ghana. The findings indicated a statistically relationship between non-performing loans and rural banks' profitability revealing that, there are higher loan losses. Their study further suggested that, rural banks do not have sound and effective credit risk management practices.

Admittedly their studies findings provided some foundations for the researcher to carry the current study within the commercial banks nevertheless, Afriyie and Akotey work sought to measure the relationship between credit risk management on the profitability of rural and community banks but did not necessarily assess the credit management

techniques of the rural and community banks which this study seeks to achieve. More so, Afriyie and Akotey study scope is different from the researcher study context as this study seeks to measure the effectiveness of credit management techniques of commercial banks in Ghana.

Similarly, Li and Zou (2014) on their part measured the association that existed between credit risk management and banks profitability in Europe. The sample came from the 47 largest commercial banks in Europe from the study period of 2007 to 2012. The findings established the understudied banks credit management techniques affected their profitability positively. Admittedly their work sought to follow the same trajectory in the credit management literature where most of the researchers seem to be interested in measuring the impact on banks performance (profitable).

The afore raised reviews clearly espouse the gap within the credit management practices effectiveness which both world bank and the Basel Accord on numerous occasions have identified as the core issue that has to be looked at by both researchers and banking institutions themselves. Therefore, findings from this study will fill that gap and further provide breaking grounds for additional studies to be conducted to explore the key antecedents that predict banks credit management effectiveness.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter is devoted to explaining the methodology to be used in this study. It shall provide information on the research design, target population, and sampling techniques. It shall as well deal with procedures for data collection (including evidence of ethical considerations), description and distribution of instruments and equipment to be used in both data collection, and analysis.

3.2 Research Design

The research design is a general plan of how a researcher intends to go about in answering the research questions. It guides the study to plan before hand and likewise implement the research in a way that will enable the study to achieve its objectives (Saunders, Lewis & Thornhill, 2009). In an empirical investigation there are two main approaches used in gathering and analysing data viz: the qualitative and quantitative method. This study followed the principles of quantitative methodology to measure the soundness of the credit management techniques being used by some listed commercial banks in the Ghana Stock Exchange. Quantitative research deals with the collection of data and showing a view of the relationship between theory and research findings and results (Bryman & Bell, 2007).

Burns and Grove (1993) argued that quantitative methodology focuses on the participants' views and attitudes and compare them; they do not try to influence responses and again ensure that the researcher is detached from the actual happenings

(i.e. respondents views). It is essential that the investigator is completely objective and do not try to influence a study with their values and perceptions. As the researcher wants valid answers, quantitative research is best suited as it minimises the risk of bias, something which can seriously threaten the validity of a study.

3.3 Population Of The Study

The target population is the group of individuals that possess the information required by the researcher and about which inferences are to be made (Malhorta & Birks, 2007). The authors further added that the most important thing in defining the target population is the precise specification of who should and who should not be included in the sample. The target population for this study consists of all the listed commercial banks in Ghana Stock Exchange. Hence, the target population included the eight banks listed on the GSE: Cal bank, Ecobank Ghana, HFC bank Ghana, Société General Ghana, Standard Chartered Bank Ghana, Trust bank and UT bank. Therefore, all employees within the credit department and management of these banks constituted the study population. Based on the researcher's preliminary field work, a projected number of 45 employees within the selected listed commercial banks for the study (i.e. Cal bank, Ecobank, HFC bank, Société General Ghana and GCB) were identified as the total population size for the various banks management and credit departments.

3.4 Sample and Sampling Techniques

A sample is a small subset of a population and also said to be representative of the total population (Quinlan, 2011). In order for the study to get information about the credit management techniques being employed at the bank the researcher sought to

rely on the purposive sampling since the researcher knows beforehand the sample that actually have the data the researcher is looking for.

Additionally, Cohen, Manion and Morrison (2007) made a fascinating argument about when to use purposive sampling in their book when they posit that there is little benefit in seeking a random sample when most of the random sample may be largely ignorant of particular issues and unable to comment on matters of interest to the researcher, in this case a purposive sample is vital. Hence, the decision to use purposive sampling is valid since it provides the researcher the better option in choosing samples that have the right information the study seeks to understudy.

Moreover, since the study relied on both primary and secondary source of data it became relevant to ascertain the exact population that possess the entire data set (i.e. financial statements from 2007-2015). This was to allow the researcher to compute the trend analysis of the Non-performing loan ratio of the listed commercial banks. Due to this qualification, the sample for the study now became Cal bank, Ecobank, HFC bank and GCB since only these four banks had available financial statements for the stated period (i.e. 2007-2015).

Similarly, the source of primary data would likewise come from the credit management department of these banks. Nonetheless, in the present study the study population is relatively small hence, using every member of the population as part of the study sample would not be a much difficulty to achieve. The researcher view to include all the members of the population is equally affirmed by Krejcie and Morgan (1970), whose work suggests that if the researcher were devising a sample from a wider population of thirty or fewer (e.g. a class of students or a group of young children in a class) then she or he would be well advised to include the whole of the wider population as the sample.

3. 5 Research Instrument and Data Collection

The researcher looked at numerous instruments that could be used to carry out the research, but after careful thought, the researcher chose to use a survey/questionnaire as the research instrument for the collection of primary data. The researcher felt that it is best suited to the research plans as the research has to gather the same data from the same respondents. McColl (1993) views corroborate the researcher position when McColl argued that a questionnaire is a highly structured data collection technique whereby each respondent is asked the same questions.

This method of data collection was also chosen as the researcher needed to ensure that the responses from respondents will be fair and objective as this approach does not permit the researcher to have any influence on respondents' response. It is important that valid opinions and attitudes were given, and surveys are known for not influencing or manipulating answers given.

Equally questionnaires have numerous advantages for instance Polit and Hungler (1999) argued that questionnaire is less expensive than other data collection methods and results are achieved quickly and more so, questionnaires can be completed at the discretion of the interviewee. Besides, they added that questionnaires reduce bias or faults which could be caused by the researcher's attitude.

Nonetheless, questionnaires have some deficiencies as well for example, Bryman and Bell (2007) maintained that questionnaires don't have an opportunity for probing or exploration of questions asked and for the answers that are given and also can be linked with a poor response rate because of a lack of respondent motivation in completing them.

Equally the study relied on secondary data source by collating the financial statement of the four banks from 2006-2015.

The questionnaires were sent out to all the credit officers of Cal bank, Ecobank, HFC bank, SG-SSB and GCB to enable the researcher have adequate insight into the problem under study. The questionnaire was the main instrument used in the study since it required less skill for its administration.

The administration of the questionnaire was done by the researcher through personal visits to the various offices of these banks. Questionnaires were given to respondents three days prior to the collection so that they could get ample time to go through and respond.

3.6 Data Analysis

The empirical analysis for the present study aims at examining credit management techniques of some listed commercial banks in Ghana. The data collected were keyed into Statistical Package for Social Sciences (SPSS) version 20.0 and the result of the study was analysed on the basis of descriptive statistics.

3.6.1 Reliability and Validity of the Measuring Instrument

Saunders and colleagues (2009, p.156) define reliability as the extent to which data collection technique(s) will yield consistent findings and also ensure that other similar observations made or conclusions reached by other researchers could be likewise replicated. Validity is the degree to which an instrument measures what it is intended to measure and whether it measures the concept accurately.

To ensure the reliability and content validity of the measuring instrument, a pilot test was conducted to check and ensure that all ambiguities identified will be modified. Any indications of ambiguities realized were modified to make them straight forward and more meaningful. The pre-test was carried out at GCB Bank, Harper road` branch. Additionally, the study supervisor read through the questionnaires items thoroughly to ascertain whether it indeed aligns with the research questions the study seeks to respond to.

3.7 Limitations of the Study

The researcher was faced with difficulties during the questionnaires distribution to the participating banks. The banks initially were reluctant to allow its employees to participate in the study for the fear that the findings could easily be used by their competitors. However in order to address this misconception an introductory letter was sourced from the Office of Graduate Studies Kwame Nkrumah University of Science and Technology to confirm to the bank that study is solely for academic purposes. Also the researcher also agreed not to use their names in the analysis in order to protect their anonymity.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter deals with the analysis of study findings and discussion of the results in line with the study research objectives. The Statistical Package for Social Sciences (SPSS) version 20.0 was used for the descriptive analysis of the data. The chapter is structured into three sections. The first section presents the demographic profile of the survey respondents. The second section dealt with credit management techniques being employed by the banks. The third and final section looked at the measurement construct of study and discussed the findings in reference to the research objectives.

4.1 Demographic Profile of Sample

The demographic profile of the survey respondents are presented in Table 1; age, gender, educational qualification, the positions respondents held within the understudied banks and finally the bank the respondents work with.

Table 4.1: Demographic Profile of Survey Respondents

Demographic variable	Category	Frequency	Percentage
Gender	Male	28	70.0%
	Female	12	30.0%

Age	25-35 years	10	
	36-45 years	15	25.0%
	46-55 years	15	37.5%
			37.5%
Education qualification	Diploma/HND	5	
	Bachelor's degree	28	12.5%
	Master's degree	7	70.0%
			17.5%
Position	Management	10	
	Non-management	30	25.0%
			75.0%
Banks respondents work with	CAL bank	8	
	Ecobank	8	20.0%
	HFC bank	8	20.0%
	GCB	8	20.0%
	SG-SSB	8	20.0%

Source: Author's fieldwork, 2016.

The demographic profile of the survey respondents in Table 1 shows that 28 of the respondents, 70.0% were male and 30.0% were female. As for the age of the respondents, more than half of the respondents 25(62.5%) were between the ages of 25-45 years and the remaining were between 46-55 years. More so, for the educational level of the respondents, results from Table 1 show that 12.5% of the respondents had Diploma/HND, 70% of the respondents had Bachelor's degree and 7 of the respondents representing 17.5% had Master's degree. In total, 10(25.0%) of the respondents were employed in managerial positions whereas 30(75.0%) of the respondents were employed in non-managerial position within the understudied banks. Also results from Table 1 show that with reference to the banks respondents work with, 8(20.0%) of the respondents worked with CAL bank, Ecobank, HFC bank, GCB and SG-SSB respectively.

4.2 Credit Management Techniques In The Listed Banks

This research objective sought to ascertain from the five understudied banks the credit management techniques their institution employ in their loan administration. Accordingly, respondents' rating as to whether their institution has in place credit policies and processes and also whether their institution employs both quantitative and qualitative credit management techniques have been presented in Table 2 to Table 5.

Table 4.2: Credit Management policies

Response	N	Minimum	Maximum	Mean	Std. Deviation
Does your institution has written guidelines on credit approval processes	40	3	5	4.25	.670
Does your institution has in place established processes for approving and extending credits to applicants	40	4	5	4.45	.504
Valid N (list wise)	40				

Source: Author's fieldwork, 2016.

Results from Table 2 showed that majority of the respondents agreed that their institution has written guidelines on credit approval processes. Thus most of their rating on this item fell within the agreed rating (i.e. it had a mean rating of 4.25, SD of 0.670). Similarly, when respondents were asked to indicate whether their institution has in place established processes for approving and extending credits to applicants, majority of their responses fell within the agreed rating (see Table 2). Findings from this study suggest that the understudied banks have adequate credit management structures in

place since in the purview of Gestel and Baesens (2008) the adequacy of an institution credit management is measured by the institution credit policies and processes which is to determine how counterparts are to be selected, the risk to accept and eventually the risk to transfer out to a third parties.

However, findings from this study are inconsistent with the earlier works of Afriyie and Akotey (2013) which established that rural and community banks in the BrongAhafo Region of Ghana did not have adequate credit management policies and practices to adhere to.

4.2.1 Approving Authorities/Authority Of Final Credit Application Process

Respondents rating on the person responsible for approving their institution final credit application process have been presented in Table 3.

Table 4.3: Approving authorities/authority of final credit application process before the credit is eventually disbursed out to the applicant

Response	Frequency	Percent
sanctioned credit committee	15	37.5
branch manager	22	55.0
managing director	3	7.5
Total	40	100.0

Source: Author's fieldwork, 2016.

Results from Table 3 show that more than half of the respondents thus, 22 representing 55.0% said in their institution the person responsible for approving a credit application is the branch manager. However, 37.5% of the respondents held the view that in their institution a sanctioned credit management committee was responsible for approving a

credit application process. Only a minimal percent of the respondents said the managing director was responsible for approving loans at their institution (see Table 3). The high level of agreement that the branch manager is responsible for the approval of the credit application is somehow interestingly since in practice a sanctioned committee at the bank head office is responsible for such functions however, it is equally fair to admit that within a banking branch workers are not likely to be in touch with the sanctioned credit committee but rather the branch manager hence the high level of agreement could be due to the fact that the credit department will pick its immediate feedback of a loan request from a branch head after the branch manager has eventually confirmed the credit approval from the sanctioned committee therefore the high level of agreement was somehow not surprising.

4.2.2 Techniques Banks Employ In Assessing Clients' Loans Request

This section sought to ascertain from the respondents whether their institution employs quantitative techniques to assess a client's profile before finally approving their loan request. Hence, respondents rating as to whether their bank employ quantitative techniques in their credit management have been presented in Fig 1.

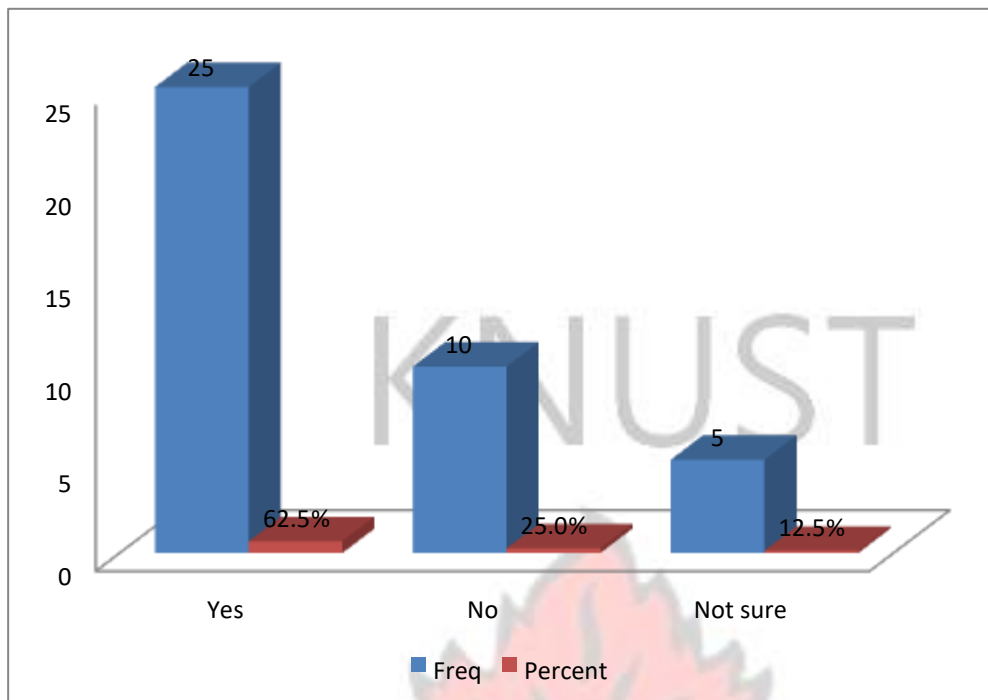


Figure 4.1: Techniques Banks Employ In Assessing Clients' Profile Before Approving Their Request

Results from Figure 1 show that 25 of the respondents representing 62.5% said their institution do employ quantitative techniques in assessing clients profile before approving their loan request. In contrast 12.5% of the respondents said they do not employ quantitative techniques to assess clients' requests. Likewise, 25.0% of the respondents could not confirm whether their institution employs quantitative techniques or not. Having identified the institution that employs quantitative techniques the study sought to find out from that institution the kind of quantitative techniques their institution uses.

4.2.3 Quantitative Techniques Banks Employ In Assessing Clients Loans Request

With this construct the study sought to find out from the respondents the kind of quantitative techniques their institution actually employs. Hence, respondents rating on the kinds of quantitative techniques their institution employs have been presented in Table 4.

Table 4. 4: Quantitative techniques banks employ in assessing clients loans request

Response	N	Minimum	Maximum	Mean	Std. Deviation
Does your institution use projection of client's business cash flow before credits are approved	25	1	5	3.12	1.810
Does your institution analyse the future forecast of applicants business before credits are finally approved	25	2	5	3.52	1.229
Does your institution use risk ratings in assessing applicants risk profile	25	2	5	3.56	1.158
Does your institution assess clients collateral value before a loan is finally dispensed out	25	3	5	4.20	.764
Does your institution perform repayment computations before credits are approved to an applicant	25	1	5	3.56	1.158
Valid N (list wise)	25				

Source: Author's fieldwork, 2016. Note (sample =25)

Results from Table 4 showed that with the exception of __item 1' with which respondents rating fell on the neutral rating all the other measuring items all had a mean rating within

the agreed score. For instance on the issue of whether their institution uses projection of client's business cash flow before credits were approved, majority of the respondents were neutral in their responses. Thus, they could neither agree nor disagree on this score (i.e. it had a mean rating of 3.12 and SD of 1.810). In contrast, when the respondents were asked to indicate whether their institution analyse the future forecast of an applicant business before credits were finally approved and also whether their institution uses risk ratings in assessing applicants risk profile, it was established that most of the respondents' ratings on these items fell within the agreed rating (see Table 4). Likewise on item 4 and item 5 majority of the respondents agreed when asked to indicate whether their institution assesses clients collateral value before a loan was finally dispensed out and also as to whether their institution perform repayment computations before credits were approved to an applicant. Findings from this study suggest that generally most of the banks used varied forms of quantitative techniques to determine their client's credit worthiness before they finally approve their loan request.

Findings from this study confirm the works of Gestel and Baesens (2008) which identified in their studies that most commercial banks within the developed countries employed quantitative techniques in their credit management. Likewise within this study context it became evident that most of the understudied banks employed quantitative credit management techniques as well. For instance majority of the respondents under this construct agreed that their institution analyse the future forecast of applicants business before credits were finally approved. Also it became evident in the study that the quantitative techniques that were employed by the understudied banks were; analysis of future forecast of applicants business, risk rating, assessment of collateral value and repayment computation. In contrast projection of client's business

cash flow was not employed by the understudied banks as one of their quantitative credit management techniques.

Again findings from this study affirm the works of Sumon-Das and Shilpi-Das (2007) which asserts that banks use the assessment of collateral value of a client's asset as one of the quantitative credit management techniques in their credit administration.

4.2.4 Essence Of Qualitative Technique Use To Assess Clients' Profile

With this measuring item the research sought to ascertain from the respondents whether their institution employs qualitative techniques in the assessment of their clients profile before they approve their loan request. Accordingly, participants rating as to whether their bank employs qualitative techniques in their credit management have been presented in Fig 2.

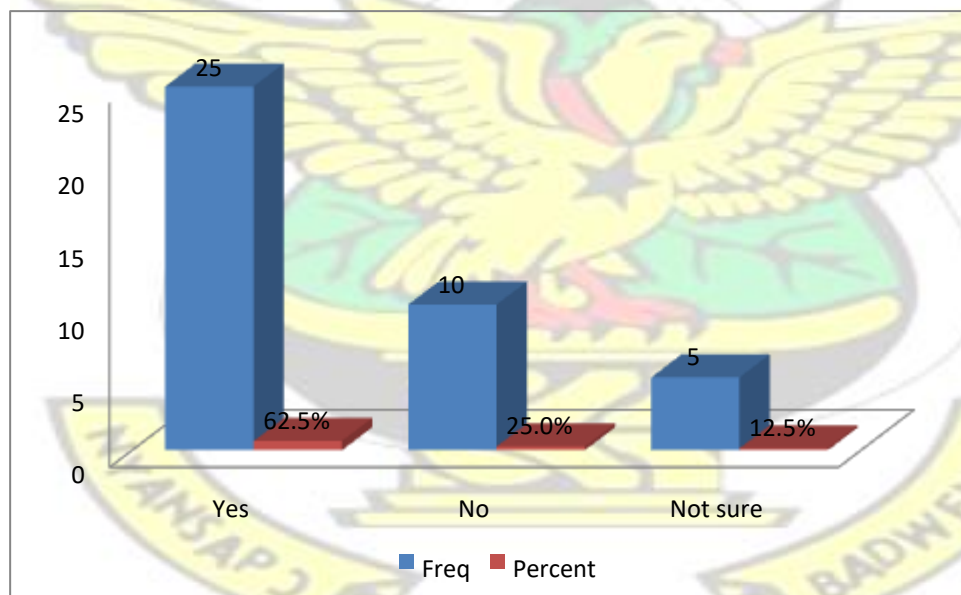


Figure 4.2: Essence Of Qualitative Technique Use To Assess Clients' Profile Before Approving Their Request.

On the issue of whether the under studied banks employ qualitative measures when assessing clients loan proposal, results from Figure 2 shows that majority of the

understudied banks agreed that they employ qualitative techniques (i.e. 62.5% of the respondents said this). In contrast 25.0% of the respondents held varied views to them their institution does not employ qualitative techniques. Surprisingly a minimal segment of the respondents thus 12.5% could not be definitive in their response to they could neither tell whether their institution uses qualitative credit management techniques or not.

Findings from this study corroborate the earlier works of Sumon-Das and Shilpi-Das, (2007) which identified in their studies that banks employ qualitative techniques such as client's character assessment, client business assessment, client business management analysis, etc. in their credit administration.

4.2.5 Qualitative Techniques Banks Employ In Assessing Clients Loans Request

Under this measuring item the study sought to find out from the respondents the kind of qualitative techniques their institution actually uses. Hence, respondents rating on the kinds of qualitative techniques their institution employs have been presented in Table 5.

Table 4.5: Qualitative Techniques Banks Employ In Assessing Clients Loans Request

Response	N	Minimum	Maximum	Mean	Std. Deviation
-----------------	----------	----------------	----------------	-------------	-----------------------

Does your institution assess the background of customers before approving their loan request	26	2	5	3.88	1.107
Does your institution thoroughly assess the internal and external business environment of clients business before loans are eventually approved	25	1	4	2.04	1.207
Does your institution analyse the client behaviour and character before approving their loan request	25	1	4	3.88	1.107
Does your organization assess the supply and demand side of a client business before approving their loan request	25	3	5	4.20	.764
Does your organization evaluate the business strategies of a client firm before their loan request is approved	40	1	5	3.17	1.500
Valid N (list wise)	25				

Source: Author's fieldwork, 2016. Note (sample =25)

Results from Table 5 show that majority of the respondents agreed when asked to indicate whether in their institution they do assess the background of customers before approving their loan request (i.e. it had a mean rating of 3.88 and a SD of 1.107). This suggests that majority of the respondents rating on this item fell within the agreed rating. However, majority of the respondents disagreed when asked to indicate whether their institution thoroughly assess the internal and external business environment of clients business before loans were eventually approved (see Table 5). Also results from Table

5 show that most of the participants agreed that in their institution they do analyse the client behaviour and character before approving their loan request. It had a mean rating of 3.88 and a SD of 1.107. This suggests that most of the respondents rating on this item fell within the agreed score. Likewise it became evident in this study that most of the understudied banks assess the supply and demand side of a client business before approving their loan request (i.e. it had a mean rating of 4.20 and a SD of 0.764). However, on the issue of whether the understudied banks evaluate the business strategies of a client firm before their loan request was approved, results from the study show that most of the respondents rating on this item fell within the neutral score (see Table 5).

Findings from this study suggest that within the five understudied banks the qualitative techniques that were employed by the banks in their credit administration were; assessment of client background, assessment of client behaviour and character, and assessment of the supply and demand side of client business. Nevertheless, findings from this study show that qualitative techniques such as analysing of client internal and external business environment and evaluating of a client's business strategy were not employed by the understudied banks as one of their qualitative credit management techniques.

Findings from this study is consistent with the works of Brown and Moles (2014) which established character and behavioural assessment of client as some of the qualitative techniques banks in the UK use in assessing clients before their loans request were eventually approved.

Likewise findings from this study confirm the earlier works of Lawrence (1997) and Sumon-Das and Shilpi-Das (2007) which identified character assessment and the

assessment of the supply and demand side of client business as some of the qualitative tools banks employ to assess the credit worthiness of a client.

4.3 Evaluation Of The Listed Banks' Credit Management Techniques

Having established that the understudied banks employed both quantitative and qualitative credit management techniques the study sought to measure its impact on loan repayment rate at the five understudied banks. Therefore, respondents rating on how their institution credit management techniques have ensured loans repayment on their stipulated schedules have been presented in Table 6.

Table4.6: Respondents rating on how their bank's credit management techniques have impacted on loan repayment rate on their schedule date

Response	N	Minimum	Maximum	Mean	Std. Deviation
The institution credit appraisal measures have been able to minimise the bank's loan default rate.	40	2	5	3.92	1.118
Loan recovery at this institution has been highly effective due to the institution credit risk management policies.	40	2	5	4.00	1.240
The institution credit management techniques have enabled the bank to meet the bank of Ghana credit impairment rate.	40	1	5	3.50	1.340
The institution credit management processes has facilitated the bank credit decision making processes	40	2	5	4.00	1.013

The institution credit management processes has reduced the bank nonperforming loans to the barest minimum	40	2	5	3.62	1.125
Valid N (list wise)	40				

Source: Author's fieldwork, 2016. Note (sample=40)

Results from Table 6 show that generally majority of the respondents agreed that their institution credit management systems have impacted on their loan repayment positively. For instance, when respondents were asked to indicate whether their institution credit appraisal measures have been able to minimise the bank's loan default rate, majority of the respondents agreed on this item. It had a mean rating of 3.92 and a SD of 1.118. This suggests that most of the respondents rating on this item fell within the agreed score. Likewise on whether the understudied institutions loan recovery have been highly effective due to the institution credit risk management policies, results from the study shows that most of their ratings fell within the agreed score (see Table 6). Again when the respondents were asked to indicate the extent to which their institution credit management techniques have enabled the bank to meet the bank of Ghana credit impairment rate, results from the study showed that most of the respondents agreed on this score. It had a mean rating of 3.50 and a SD of 1.340.

This suggests that most of the participants' responses for this item fell within the agreed rating.

Moreover, on _item 4' which sought to measure how the institutions credit management processes have facilitated the banks credit decision making, it was established that majority of the respondents agreed on this score. It had a mean rating of 4.00 and a SD of 1.013. Likewise on the last measuring item thus, _item 5' which sought to ascertain

whether the institutions credit management processes have reduced the bank non-performing loans to the barest minimum, results from the study showed that majority the respondents agreed on this item (see Table 5).

Findings from the study showed that generally majority of the respondents agreed that their institution credit management system has impacted positively on their loan recovery rate. Results from this study corroborate the studies of Gakure et al. (2012) which examined the effect of credit risk management techniques on the performance of bank loans by commercial banks in Kenya. In their study it was established that the kinds of credit risk management techniques employed by a bank has a direct impact on their loan recovery rate.

Again results from this study affirm the studies of Brewer and Jackson (2006) which postulated that well-designed credit management techniques ensued to high loan recovery rate.

Nonetheless findings from this study are inconsistent with the earlier works of Afriyie and Akotey (2013) which established that credit management techniques impacted on rural and commercial banks loans recovery negatively. However, results from the study revealed that the credit management techniques of the understudied banks have impacted on their loans recovery positively. This suggests that the credit management techniques of commercial banks are somehow superior to the credit management of rural and community banks since, it became evident in this study that the credit management techniques of the banks have ensured adequate management of their credit processes and loan recovery rate.

4.4 Trend analysis of total nonperforming loans of the listed bank in the past Ten years

This section sought to measure the trend analysis of the NPL of some listed commercial banks in the Ghana stock exchange from the year 2006-2015. The NPL ratio was computed by the ratio of loan impairment to total loans and advances within the understudied financial years. Therefore, the loan impairment and the total loans and advances were computed from Cal bank, Ecobank, HFC, GCB and SG-SSB financial statements within the study period. Hence Table 7 presents the summary of the trend analysis of the NPLR of the understudied banks.

Table 4.7: Summary of Descriptive Statistics

Variables	Observation	Mean	SD	Minimum	Maximum
Cal Bank	10	0.021832	0.011667	0.011449	0.050067
Ecobank	10	0.017728	0.009205	0.007256	0.037139
GCB	10	0.026255	0.024408	0.000863	0.070671
HFC	10	0.035599	0.041564	0.009862	0.122584
SG-SSB	10	0.022832	0.013352	0.002635	0.043742

Source: (banks financial statements 2006-2015)

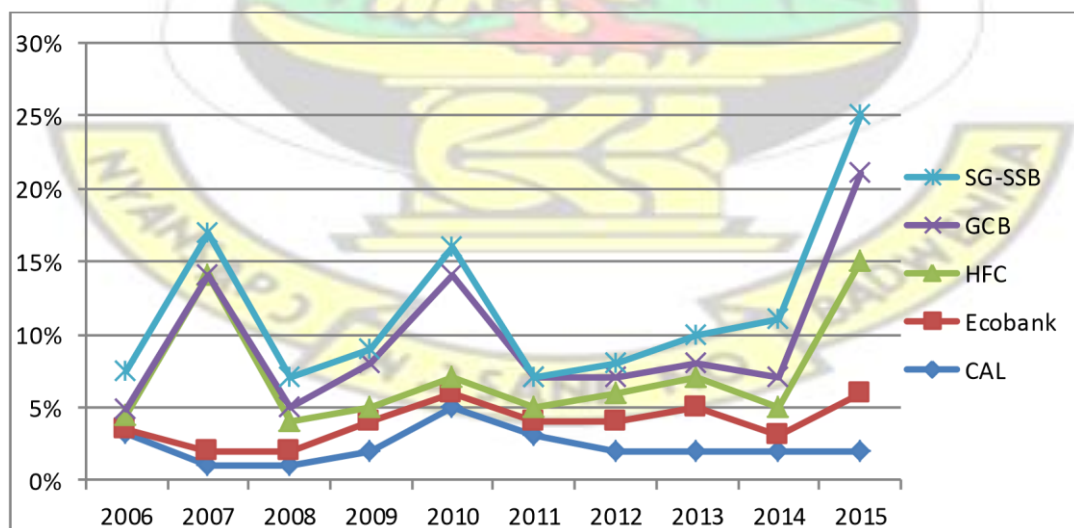


Figure 4.3: Moving Trend analysis of Nonperforming Loans

Results from Table 7 showed that the mean value for NPL ratio for the five listed banks on the Ghana Stock Exchange thus, CAL bank, Ecobank, GCB, HFC and SGSSB for the study period (2006-2015) ranges from 0.017728-0.035599. Of all the study period it became evident that the highest NPL was recorded in 2007 thus, 12% by HFC bank. Also results from Figure 3 showed that from the first year, Cal bank and SG-SSB recorded the highest NPLR among the other banks (i.e. it had a NPLR of 3%). Also, it became evident that in the 2015 financial year almost all the five banks had their NPL increase to some extent. For instance, Ecobank and GCB whom seem to have been performing quite well all of a sudden began to witness some increase in their NPL in that year (see Figure 3). More so, in all SG-SSB had the highest in terms of the sum of the total loans and advances from 2006-2015 (i.e. ₵4,638,200,083) followed by GCB which total loans and advances for the same study period stood at ₵4,141,152,372. Findings from the trend analysis also suggest that HFC started with some high NPL ratio in the early years but began to see some decrease in the mid-way thus, 2008-2014 but got peaked again in 2015. It is equally note while to mention that within that same period HFC bank dispersed the highest loans and advances to its customers compared to the other banks within that same period. This was not much as a surprise since in the year 2015 HFC bank witnessed at net loss of ₵39241 in its financial statement. (See Appendix B for the entire results). The evidence suggests that on relative terms the performance of these banks in terms of their NPL were quite minimal in the mid-year thus from 2011-2013. Nonetheless, in 2015 there was a sharp increase in the five banks NPL. This could be attributed to the recent downturn that was witnessed in the Ghanaian economy characterised with erratic power supply and higher inflation and interest rate.

Evidence from the trend analysis shows that generally the NPLR of the banks were relatively low compared to the World Bank World Development Indicators, Financial access, stability and efficiency report (2016) which established that the NPLR for Ghanaian commercial banks stood at 12.2% in 2015 compared to 5% for the five banks within the same period. However, it is equally fair to admit that the 12.2% was the mean value of the NPLR for the 28 commercial banks and the 5% is just for five banks so the comparison ought to be threaded with a little caution.



CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study as guided by specific objectives and conclusions reached based on the findings as well as recommendations for enhancing credit risk management and further future research studies.

5.2 Summary

The recent worldwide credit crunch, which started somewhere in 2006 and got peak in 2009 with sub-prime mortgages in the United States and its rippling effect on other economies, has truly demonstrated the fundamental importance of how credit management decisions is necessary for business sustenance (Brown & Moles, 2014, p.4). As the problems in these mortgages unfolded, it was demonstrated that unsound credit management decisions had been made and lessons as to how to manage credit risk effectively had been either ignored or never learned. This shows that poor lending decisions, whether by a financial institution or a corporate, can lead to significant losses to all players within an economy.

Therefore, the main problem of the study was to investigate the credit management techniques being used by the financial institutions to ascertain their soundness in line with the industry standards. Accordingly, the main objectives of the study were; to identify the credit management techniques being employed by the bank in its loan administration, to evaluate the bank's credit management techniques ability to collect its loan on their schedule date and finally to examine the trend of total nonperforming loans of the listed bank in the past Ten (10) years (2006-2015). The target population

for the study constituted all the commercial banks in Ghana and specifically the study sample came from five of the listed commercial banks; CAL bank, Ecobank, GCB, HFC and SG-SSB. Since the study was guided on the principles of quantitative methodology, this study used questionnaires as the data collection instrument. The questionnaire had three parts. The first part of the questionnaires dealt with the biographic of the study respondents. The second section dealt with credit management techniques being employed by the banks. The third and final section looked at the measurement construct of study.

It became evident in the study that the understudied institution had written guidelines for loan administration likewise the banks employed both quantitative and qualitative credit risk management techniques.

5.3 Conclusions

The first specific objective the study sought to measure was to identify the credit management techniques being employed by the banks in their loan administration. Findings from the study revealed that 62.5% of the respondents said in their institution they do employ quantitative techniques to assess clients profile before approving their loan request. In contrast 12.5% of the respondents said they do not employ quantitative techniques to assess clients' requests. Likewise, 25.0% of the respondents could not confirm whether their institution employs quantitative techniques or not.

Again it became evident in the study that the quantitative techniques that were employed by the understudied banks were; analysis of future forecast of applicants business, risk rating, assessment of collateral value and repayment computation.

However, projection of client's business cash flow was not established as one of the quantitative techniques being employed by the understudied banks.

More so, on the issue of whether the under studied banks employ qualitative credit management techniques, findings from the study revealed that majority of the understudied banks do employ some qualitative techniques as well (i.e. 62.5% of the respondents said this). In contrast 25.0% of the respondents held different views to them their institution does not employ quality techniques. Nonetheless only a minimal segment of the respondents thus 12.5% could not be definitive in their response to they could neither tell whether their institution uses qualitative credit management techniques or not.

Also it became evident in the study that within the five understudied banks the qualitative techniques that were employed by the banks in their credit management were; assessment of client background, assessment of client behaviour and character, and finally analysing the supply and demand side of client business. Nevertheless, findings from this study show that qualitative techniques such as analysing of client internal and external business environment and evaluating of a client's business strategy were not employed by the understudied banks as one of their qualitative credit management techniques.

The second objective was to evaluate how the bank's credit management techniques have impacted on the institutions loan repayment. It was established in the study that generally majority of the respondents agreed that their institution credit management systems have impacted on their loan repayment rate positively. For instance, when respondents were asked to indicate whether their institution credit appraisal measures have been able to minimise the bank's loan default rate majority of the respondents agreed on this item. It had a mean rating of 3.92 and a SD of 1.118. Likewise on whether

the understudied institutions loan recoveries have been highly effective due to the institution credit risk management policies, findings from the study revealed that most of the respondents agreed on this score. It had a mean rating of 4.00 and a SD 1.240. Again it became evident that the understudied institutions credit management techniques have enabled the bank to meet the bank of Ghana credit impairment rate.

Additionally findings from the study established that the institutions credit management processes have facilitated the bank credit decision making processes. Likewise as to whether the institutions credit management processes have reduced the bank non-performing loans, findings from the study showed that this has been so. The final objective of the study was to examine the trend of total nonperforming loans of the listed banks in the past Ten (10) years. Within the understudied period it became evident that the highest NPLR was recorded in 2007 thus, 12% by HFC bank. Also findings from the study showed that within the first year, Cal bank and SG-SSB recorded the highest NPL among the other banks (i.e. it had a NPLR of 3%). Also, it became evident that in the 2015 financial year almost all the five banks had their NPL increase to some extent.

More so, in all SG-SSB had the highest in terms of the sum of the total loans and advances from 2006-2015 (i.e. ₵4,638,200,083) followed by GCB which total loans and advances for the same study period stood at ₵4,141,152,372. Again findings from the study revealed that HFC started with some high NPL ratio in the early years but began to see some decrease in the mid-way thus, 2008-2014 but got peaked again in 2015.

5.4 Implications Of The Study

The study found out that most of these banks employed both quality and quantitative credit management techniques in its loan administration hence, findings from this study have provided insightful thoughts on the kinds of techniques the understudied banks employed. Therefore, this study have in a way made a minimal contribution to the gaps identified in the literature with respect to credit management techniques used by the commercial banks in Ghana.

Also, it became evident that some qualitative credit management techniques were not used by some of the banks hence; findings from the study have made it possible for the banks to consider some of the techniques their competitors use and possibly reconsider how to incorporate them into their credit management processes.

5. 5 Recommendations

The recommendation from this study will be catalogue into these themes; its contribution to both the literature and academia and finally recommendations to management of these banks.

Firstly, with regards to the literature earlier reviews indicated that there was paucity on the studies of credit management techniques in commercial banks in developing economies specifically Ghana. Hence, findings from this study have in a way attempted to make a minimal contribution to the literature in this regards.

However, since, it was established that the listed commercial banks employed both quantitative and qualitative credit management techniques hence it is recommended that other studies should likewise try to investigate the credit management techniques that are employed by savings and loans companies within the country.

Secondly, on the part of management it became evident in the study that in reference to the qualitative credit management techniques, most of the banks did not assess the

external and internal environment of clients business and likewise did not evaluate the business strategies of client firms hence, on this note it is recommended that the management of these should incorporate these qualitative credit techniques into their credit administration since it has the advantage in determining whether the prospective loan applicant has what it takes to survive in its business environment or industry.

Again, it was established in the study that under the quantitative credit management techniques most of the understudied banks did not undertake client business cash flow projections, on this score it is recommended that management of these institutions as a matter of urgency ought to perform this quantitative management techniques since cash flow projections will enable an institution to ascertain where exactly a client's revenue comes from and where it moves to eventually.



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APPENDICES

APPENDIX A

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY
DEPARTMENT OF ACCOUNTING AND FINANCE MBA Finance Dear
Sir/Madam,**

The aim of this study is to assess credit management techniques being employed at your banking institution. The results of the study would provide a better understanding of how your institution would effectively manage its credit risk systems. Your responses, though voluntary, are greatly appreciated and would be treated with utmost confidentiality. Thank you.

GENERAL INSTRUCTIONS

Boxes and fill-in spaces are provided for responses. Please, tick (✓) in the appropriate boxes or write in the fill-in spaces provided as applicable to your circumstances.

SECTION A: BIOGRAPHICAL INFORMATION

1. Age [Please tick one]

- I. Under 20 II. 21-30 III. 31-40 IV. 41-50
V. above
50

2. Gender [Please tick one]

- I. Male II. Female

3. Educational qualification [Please tick one]

- I. S.S.C. E II. Diploma III. Degree IV. Post-Degree

4. What is your position in the organization?

- I. Managerial II. Non-managerial

5. Please indicate the bank you work with?

I. Cal bank II. Ecobank III. HFC IV. GCB V. SG-SSB

SECTION: B CREDIT MANAGEMENT TECHNIQUES BEING EMPLOYED

5. Does your institution has written guidelines on credit approval processes

[] Strongly disagree [] Disagree [] Neutral [] Agree [] strongly agree

6. Does your institution has in place established processes for approving and extending credits to applicants

[] Strongly disagree [] Disagree [] Neutral [] Agree [] strongly agree

7. Who approves the final credit application process before the credit is eventually disbursed out to the credit applicant?

Sanctioned credit committee [] Branch manager [] Managing director []

8. Does your institution employ quantitative analysis in assessing clients profile before approving their request?

I. Yes II. No III. Not sure

If your answer to question 8 is YES please answer question 9-13

9. Does your institution use projection of client's business cash flow before credits are approved?

[] Strongly disagree [] Disagree [] Neutral [] Agree [] strongly agree

10. Does your institution analyse the future forecast of applicants business before credits are finally approved?

Strongly disagree Disagree Neutral Agree strongly agree

11. Does your institution use risk ratings in assessing applicants risk profile?

Strongly disagree Disagree Neutral Agree strongly agree

12. Does your institution assess clients' collateral value before a loan is finally dispensed out?

Strongly disagree Disagree Neutral Agree strongly agree

13. Does your institution perform repayment computations before credits are approved to an applicant?

Strongly disagree Disagree Neutral Agree strongly agree

14. Does your institution employ qualitative analysis in assessing clients profile before approving their request?

I. Yes II. No III. Not sure

If your answer to question 8 is YES please answer question 14-20

15. Does your institution assess the background of customers before approving their loan request?

Strongly disagree Disagree Neutral Agree strongly agree

16. Does your institution thoroughly assess the internal and external business environment of clients business before loans are eventually approved?

Strongly disagree Disagree Neutral Agree strongly agree

17. Does your institution evaluate the management of a client business before final approval is given to his/her loan request?

Strongly disagree Disagree Neutral Agree strongly agree

18. Does your business analyse the client behaviour and character before approving their loan request?

Strongly disagree Disagree Neutral Agree strongly agree

19. Does your organization assess the supply and demand side of a client business before approving their loan request?

Strongly disagree Disagree Neutral Agree strongly agree

20. Does your organization evaluate the business strategies of a client firm before their loan request is approved?

Strongly disagree Disagree Neutral Agree strongly agree

SECTION C: IMPACT OF CREDIT MANAGEMENT TECHNIQUES ON LOAN RECOVERY

21. The institution credit appraisal measures have been able to minimise the bank's loan default rate.

Strongly disagree Disagree Neutral Agree strongly agree

22. Loan recovery at this institution has been highly effective due to the institution credit risk management policies.

Strongly disagree Disagree Neutral Agree strongly agree

23. The institution credit management techniques have enabled the bank to meet the bank of Ghana credit impairment rate.

Strongly disagree Disagree Neutral Agree strongly agree

24. The institution credit management processes has facilitated the bank credit decision making processes

Strongly disagree Disagree Neutral Agree strongly agree

25. The institution credit management processes has reduced the bank non-performing loans to the barest minimum

Strongly disagree Disagree Neutral Agree strongly agree

**THANK YOU FOR TAKING TIME TO COMPLETE THIS
QUESTIONNAIRE!**

