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DEPARTMENT OF BUSINESS MANAGEMENT

Intervention strategies that can be utilised to enhance CBZ bank loan book performance

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INTRODUCTION

1.0	INTRODUCTION	1
1.1	BACKGROUND OF THE STUDY	1
1.2	STATEMENT OF THE PROBLEM	3.

1.3	RESEARCH OBJECTIVES.	4
1.4	RESEARCH QUESTIONS	4
1.5	SIGNIFICANCE OF STUDY	4
1.5.1	Practical Significance	4
1.5.2	Theoretical Significance	5
1.6	RESEARCH ASSUMPTIONS	5
1.7	DELIMITATION (SCOPE) OF STUDY	5
1.8	LIMITATIONS	5
1.9	DEFINATION OF KEY TERMS	6
1.10	CHAPTER SUMMARY	7
CHAPTER TWO		
LITERATURE REVIEW		
2.0.	Introduction	8
2.1	An Overview of Loan Performance	8
2.1.1	Determinants of Loan Performance	8
2.1.1.1	Interest Rates	8
2.1.1.2	Liquidity	9
2.1.1.3	Loan Size	9
2.2	The concept of credit risk management in bank lending	10
2.2.1	Credit Risk Management	10
2.2.2	Credit Terms	11
2.2.3	Client Appraisal	12
2.2.4	The 5 C's Model of Client Appraisal	13
2.2.5	Credit Risks Controls	14
2.3	Theoretical Review	15
2.3.1	Commercial Loan Theory	15

2.3.2 Transactions Costs Theory	16
2.3.4 Information Theory	17
2.4. Intervention Strategies to Enhance Loan Performance	17
2.4.1 Intervention Strategies to Enhance Loan Performance	17
2.4.2 Effect Of Credit Terms On Loan Performance	19
2.4.3 Effect of Client Appraisal Model on Loan Performance	20
2.4.4 Effects Credit Risk Controls on Loan Performance	23
2.5 Review Of Empirical Literature	25
2.5.1 Credit Terms	25
2.5.2. Client Appraisal	26
2.5.3 Credit Risk Controls	26
2.6 Chapter Summary	27
CHAPTER 3	
RESEARCH METHODOLOGY	
3.0 Introduction	28
3.1 Research Design	28
3.1.2 Explanatory Research Design	28
3.1.2.1 Justification of the Explanatory Research Design	29
3.2 Target Population	29
3.3 Sampling	30
3.3.1 Stratified Random Sampling	30
3.3.2 Justification of Stratified Random Sampling	31
3.3.3 Simple Random Sampling	31
3.3.4 Justification of Simple Random Sampling	32

3.3.5 Sampling Size	32
3.4 Sources of Data	32
3.4.1 Primary Data	32
3.4.2 Secondary Data.	33
3.5 Research Instruments	33
3.5.1 Self-Administered Questionnaire	33
3.5.2 Justification of self-Administered questionnaire	34
3.5.3 Personal Interviews	35
3.6.3 Justification of Personal Interviews	35
3.6 Validity and Reliability	35
3.6.1 Reliability	35
3.6.2 Validity	35
3.6.3 Pilot Study	36
3.7 Ethical Considerations	36
3.8 Data Presentation	37
3.8.1 Data Analysis Techniques	37
3.9 Chapter Summary	37
CHAPTER FOUR	
DATA PRESENTATION AND ANALYSIS	
4.0 INTRODUCTION	39
4.1 DATA PRESENTATION AND ANALYSIS	39
4.1.1 Response rate	39
4.1.2 Highest level of education	40
4.1.3 Work Experience	41

4.2 DESCRIPTIVE STATISTICS FINDINGS	42
4.2.1 The implementation of credit management techniques by CBZ	42
4.2.2 The Effects of Credit Terms on CBZ'S Loan Book Performance	43
4.2.3 Client Appraisal and Loan book Performance	44
4.2.4 Credit Risk controls And Loan Book Performance	45
4.3 Pearson correlations of the variables	46
4.3.1 Rule of thumb about the strength of correlation coefficients	47
4.3.2 Credit terms and loan book performance at CBZ	47
4.3.3 Client appraisal and loan book performance	48
4.3.4 Credit Risks Controls And Loan Book Performance	49
4.4 THE MODEL SUMMARY OF THE STUDY	49
4.5 CHAPTER SUMMARY	50
CHAPTER V	
SUMMARY OF MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	
5.0 INTRODUCTION	51
5.1 SUMMARY OF MAJOR FINDINGS	51
5.1.1 The Effects of Credit Terms on CBZ'S Loan Book Performance	51
5.1.2 The Relationship between Client Appraisal and Loan Book Performance	51
5.1.3 The Effects of Credit Risk controls and Loan Book Performance	52
5.2 CONCLUSION	52
5.2.1 The Effects of Credit Terms on CBZ'S Loan Book Performance	52
5.2.2 The Relationship between Client Appraisal and Loan Book Performance	53
5.2.3 The Effects of Credit Risks on Loan Book Performance	53

5.3 Recommendations	53
5.3.1 The Effects of Credit Terms on Loan Book Performance	53
5.3.2 The Relationship between Client Appraisal and Loan Book Performance	54
5.3.3 The Effects of Credit Risk controls on Loan Book Performance	54
5.4 Areas for further study	55
REFERENCES	56
APPENDICES	59

List Of Tables

Table 3.1 Represents Population	29
Table 3.1 The Likert Scale	34
Table 4.1: Response rate	39
Table 4.2 The implementation of credit management techniques by CBZ	42
Table 4.3 Descriptive Statistics on Credit Terms And Loan Book Performance	43
Table 4.4 Descriptive Statistics on Client Appraisal and Loan book Performance	44
Table 4.5: Descriptive Statistics on Credit Risks And Loan Book Performance	45
Table 4.6 Rule of thumb on strength of correlation coefficients	47
Table 4.10 model summary	49

List of Figures

Fig 4.1: Level of Education 40

Fig 4.2: Work Experience 41

CHAPTER ONE

INTRODUCTION

1.0 INTRODUCTION

Recently banks in Zimbabwe witnessed an upsurge of non-performing credit portfolios and these significantly contributed and resulted in financial distress in the banking sector. The main core business of receiving deposits and lending to customers but when customers fail to honour their loan obligations problems such as non-performing loans arise. In spite of numerous measures and controls put in place when disbursing loans to individuals and corporate there has been a great challenge in ensuring repayments are met as per specifications in loan contracts or offer letters. Albeit these strategies, the number of non-performing loans have been increasing. It is against this background that this study is being carried out to bring forth intervention strategies that can be utilised to enhance CBZ Loan book performance in Zimbabwe. The chapter gives a background to the study, problem of the statement, research purpose and objectives, significance of the study, its delimitations as well as its limitations. It is the platform of the preceding chapters two, three, four and five.

1.1 BACKGROUND OF THE STUDY

The concept of credit can be traced back in history and it was not appreciated until and after the Second World War when it was largely appreciated in Europe and later Africa (Kiiru, 2004). Myers and Beasley (2003) define credit as a process whereby possession of goods or services is allowed without spot payment upon a contractual agreement for later payment. Banks in USA gave credit to customers with high interest rates which sometimes discouraged borrowers hence the concept of credit did not become popular until the economic boom in USA in 1885 when the banks had excess liquidity and wanted to lend the excess cash (Ditcher, 2003).

A performing credit portfolio is instrumental to banking institutions in ensuring a sound liquidity position and profitability. A portfolio with high levels of NPLs, which are loans in arrears for at least ninety days (George, 2011), is detrimental to a bank in terms of profitability, value of its assets as well as its sustainability. If losses emanating from credit default exceed the bank's compulsory and voluntary reserves as well as its equity cushion,

then the bank becomes insolvent. High levels of NPLs impair economic growth since there is a feedback effect between NPLs and economic growth (Bikker, 2002).

Over the years, there have been an increased number of significant bank problems in both, matured as well as emerging economies (Brownbridge,2004). Bank problems, mostly failures and financial distress have afflicted numerous banks, many of which have been closed down by regulatory authorities (Brownbridge, 2004). This in turn led to contraction of activities, decline in output, and imposition of substantial costs on the economy (Harvey,2010) cited in Richard (2011).

Studies on African countries show that most of bank failures have been caused by non-performing loans (Brownbridge, 1998). Ahmad (2002), in analysing the Ghananian financial system, reported a significant relationship between credit risk and financial crises and concluded that credit risk had already started to build up before the onset of the 1997 world financial crisis, and became more serious as non-performing loans increased.

The Zimbabwean banking crisis of 2007-2008 which resulted in many financial institutions closing down was mainly seen as a result of mismanagement because of bad lending decisions which were aggravated by wrong appraisal of credit status, or the repayment of non-performing credits and excessive focus on giving loans to certain customers. Good hart et al (2008) state that poor credit control, which results in undue credit risk, causes bank failure. The Zimbabwean commercial banks non-performing loans scenario was attributed to bad lending tradition which led to a large portfolio of unpaid loans. This has caused insolvency of banks and reduction in funds available to create a revolving credit facilities for fresh advances, which eventually causes a liquidity crisis.

The Reserve Bank of Zimbabwe note that the level of non-performing loans (NPLs) has declined from a peak of 20.45% to the ratio of NPLs 10.74% to total loans to 7.87% as at 31December 2016.This was attributable to the combined impact of the various policy measures instituted by the Bank and initiatives by banking institutions during the year 2016. However these statistics are not in sync with the level of NPLs in CBZ Bank which remained above 10%. Hence the levels of NPLs in CBZ Bank can be attributed to weak internal credit risk control and credit management systems. Lillian Osero et al (2013) citing Khan and Ahmed (2001) argued that banks are responsible for the high rates of defaulters. Lillian Osero et al (2013) are of the view that the rise in defaulters are being caused by lax procedures used

in credit risk assessment, negligence in monitoring loan defaults, insider loans, lack of trained personnel and unaggressive credit collection methods, to intelligently and efficiently manage the credit portfolio.

CBZ bank after the economic meltdown in 2009 started experiencing low and poor growth within the loans departments. Loans advanced to customers did not perform well resulting in the high default rate to loan book ratio for the period 2016 up to December 2017. The bank experienced numerous defaulters on the borrowed loans within the organization. A default on a loan occurs when the borrower does not make the required payments or in some other way the borrower does not comply with the terms of a loan (Al-Tamimi and Al-Mazrooei, 2007). It arises when the borrower does not honour the agreement to meet the loan repayment terms which details when money ought to be paid back to the lender. The quality of credit appraisal processes depends on two factors namely, a transparent and comprehensive presentation of the risks when granting the loan on the one hand, and an adequate assessment of these risks on the other hand (Strutt, 2000). CBZ Bank employs different strategies to improve their loan performances over and above those recommended by the RBZ and these strategies are broadly categorized as client appraisal, credit risk controls designing credit terms and credit management strategies.

CBZ Bank has continued to experience high rates of defaulters within their loans departments, CBZ Bank challenges were emanating from, insider lending, political connection of bank owners, customer failure to disclose vital information during the loan application process, lack of proper skills amongst loan officials among were major factors identified to cause non-performing loans (Mutibvu et al ,2014). Controlling non-performing loans is very important for both the performance of an individual bank and the economy's financial environment (McNulty et.al, 2001). Therefore with this problem of the upsurge in non-performing loans at CBZ Bank has necessitated a research on intervention strategies that can utilised to enhance CBZ bank loan book performance.

1.2 STATEMENT OF THE PROBLEM

According to Mid-Year Fiscal Policy Statement (2017), the upward trend in non-performing loans and instability of financial institutions in Zimbabwe is a cause for concern. The average ratio of non-performing loans to total loans for the entire financial sector stood at 15, 92% as at 31 July 2017 with CBZ Bank having a ratio of 12.55% and being at the top of Non-

Performing loans.. Although the Bank uses different strategies to enhance loan performance, their loan performance levels have remained poor as evidenced by the rise of NPLS ratio from 7.55% in 2011 to 12.55% in 2017. These bad statistics are a manifestation of deteriorating asset quality and increasing credit risk that is seriously threatening the stability of CBZ bank. Continuous rolling over of non-performing loans is tying up loanable funds in unprofitable ventures thereby impairing economic growth. The bank at large has been concerned over the continued upsurge of non-performing loans which have resulted in constrained bank lending capabilities hence in this light the researcher was motivated to undertake this study on the intervention strategies that can be utilised to enhance CBZ loan book performance.

1.3 RESEARCH OBJECTIVES.

- To establish intervention strategies that can be utilised to enhance CBZ bank loan book performance.
- To examine how credit terms adopted by CBZ bank affect loan book performance
- To establish how client appraisal models at CBZ bank influence loan book performance
- To examine how credit risks controls adopted by CBZ enhance loan book performance

1.4 RESEARCH QUESTIONS

- What are the strategies that best enhance loan book performance in CBZ bank?
- How effective are the credit terms adopted by CBZ bank to enhance loan book performance?
- How effective is the client appraisal model at CBZ bank on loan book performance?
- How do credit risks controls adopted by CBZ enhance loan book performance?

1.5 SIGNIFICANCE OF STUDY

1.5.1 Practical Significance

Issues surrounding loan performance within the commercial banking sector is an area of concern hence the study has been paramount importance to the banking industry. The

findings of this research therefore give factual as well as relevant information to the policy makers in the Zimbabwean government, reserve bank of Zimbabwe and players within the commercial banking sector in Zimbabwe. The study therefore came up with recommendations useful in providing ways that are applicable and sustainable with the use of electrical revenue collection systems.

1.5.2 Theoretical Significance

The study is expected to arouse new interest among scholars, banking practitioners and students of research about re-mapping the performance of loans within the commercial banks. This research is also essential to the scholars as it provided with comprehensive material that have to be further researched on and enhance the discussions on loan performance within the commercial banks. The research is a secondary data source for scholars wants to look into issues surrounding loan performance within the commercial banking sector.

1.6 RESEARCH ASSUMPTIONS

- There is no change in the external environment like economic change, political change, legal change and technological changes.
- The chosen sample is a true representative of the population under study. In support of the assumption, the researcher used a CBZ Bank employee database as a screening method.

1.7 DELIMITATION (SCOPE) OF STUDY

The research focused on the assessment of intervention strategies utilized by CBZ Bank to enhance loan performance. The study covered the period between 2009 to 2017. The main focus hinged on 56 respondents drawn from Loan officers, Operations Managers and Retail Managers for Southern region to whom questionnaires and interviews were administered.

1.8 LIMITATIONS

CBZ treat some of its information private and confidential especially their loans statistics and strategies they employ within their organization. To overcome this; the researcher explained clearly that the information be kept private and used for academic purposes only.

1.9 DEFINATION OF KEY TERMS

- **Loan appraisal**

Loan appraisal is an application/request for funds, evaluated by financial institution.

- **Portfolio at Risk**

The loan Portfolio at Risk (PAR) is defined as the value of the outstanding principal of all loans in arrears, expressed as a percentage of the total loan portfolio currently outstanding.

- **Setting up Credit Terms**

Tsige (2013) defines Credit terms are the qualifying requisites demanded by the lender of money to be fulfilled by the borrower before a loan is give. In short it is a contract which specifies the expectation of the lender in order to release money in less risk conditions.

- **Credit Risk Control**

According to Ross et al (2011), credit risk is a cost associated with lending out money to a borrower it comes into play when the borrower decides not to honor his obligation.

- **Capital**

Mac Donald and Koch(2015) highlighted that capital is money that is invested into a project to generate more. It show the level of commitment one has in his entity

- **Collateral**

Berger (2012) defined collateral as a promissory note made by the borrower to the lender that in the event of a default, the lender will recover money from this asset pledge as collateral to defer the cost of financing

- **Loan management**

Loan management is the process through which banks and other lending institutions monitor their loan portfolio. Most commercial banks provide loans as their major business venture.

1.10 CHAPTER SUMMARY

This chapter gave the background of the problem, the statement of the problem, the objectives of the study. The boundaries of carrying out this study were identified and limitations were noted and how to overcome the limitations to ensure that reliable results of the study were obtained. The next chapter reviews literature on intervention strategies that can be utilised to enhance loan performance by CBZ Bank.

CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction

Mutua(2015) is of the view that the banking industry is still growing great effort must be put in place to ensure that effective strategies are put in place to minimise risk and maximise loan performance at any particular point while in operation. This chapter looks at studies done by various researches on the relationship intervention strategies utilised to enhance loan performance within the banking sector while focusing on the objectives of this research as mentioned in chapter one.

2.1 An Overview of Loan Performance

Theoretically, loan performance has no fixed world definition that can be taken to be universal but they are defined according to individual countries' taste (Hou et al,2016). NPLs are classified differently in different countries and such varying definition and components of classification brings in more confusion in understanding NPLs(Hou,2016). The definition of loan performance is keyed to banking laws and regulations of respective banks and hence it is difficult to come up with a standard definition of loan performance as the banking system varies from one country to the other (Issa,2016).

Cortawarria et al. (2006) define loan performance according to region where they originate from. For instance, in countries like France, Spain, Portugal, Switzerland and Norway, loan performance is measured by the time taken to repay the loan for example became when the principal amount and interest has not been paid after 90 days from date of signing the offer letter for the loan.

2.1.1 Determinants of Loan Performance

2.1.1.1 Interest Rates

Interest rates affect bank liquidity, when the management of the firms expects the interest rates to increase then it might decide to hold less cash and opt to invest more in order to take advantage of the expected higher returns (Geitangi, 2012). When the interest rates are very high the borrowers are likely to default as a result of an increase in the cost of borrowing. Interest rates marked the beginning of many attempts at explaining credit rationing in credit markets.

Geitangi(2012) and Weinberg (2006) opined that interest charged and the amount of debt, are the two main factors affecting loan performance. Some banks use the interest rates that an individual is willing to pay as a screening device to identify borrowers with a high probability of repayment. This may be dangerous since high risk-takers are the worst payers, in the process affecting default by borrowers on loans. However, if the government deficit is higher, the interest rates increases and thus most firms opt not to hold cash but invest in profitable investments hence affecting a firm's liquidity (Harvey, Lins and Roper, 2014).

2.1.1.2 Liquidity

Liquidity is characterized by a high level of trading activity. It measures how much cash a company has and how easily it is able to pay its debt (Parrenas, 2005). Assets in any firm are categorized into various classes. A firm that holds high amount of cash is likely to take advantage of profitable investments unlike a firm that is illiquid. The basic function of modern banks is to provide liquidity on demand to depositors and to supply funds as well as liquidity to their borrowers through loans and lines of credit (Pagano et al, 2012). Accordingly, the bank risk management task involves holding capital to guard against insolvency, and maintaining a store of liquid assets as well as access to a variety of borrowing sources to guard against unexpected cash shortfalls.

Credit risk may expose a firm to low liquidity. Liquid assets constitute a significant portion of a firm's total asset. Financial managers pay due attention to the measurement and management of corporate liquidity failure to which may lead to severe shortage of liquidity leading to inability to meet its short and medium term obligations as and when they become due hence financial distress (Damaris Geitangi,2012)

2.1.1.3 Loan Size

Geitangi (2012) and Godquin (2004) reported that both age and size of loans have an inverse relationship to repayment performance. According to Chong (2010) the main determinant of repayment obligations is the amount of debt. Furthermore, loans that are too big also lead to repayment problems, dissatisfaction and high default rates .According to Chong (2010) efficient loan sizes fit borrowers' repayment capacity and stimulate enterprise. If the amount of loan released is enough for the purposes intended, it has a positive impact on the borrower's capacity to repay. On the other hand, in case of over and under finance, the expected sign is negative.

If the amount of loan exceeds what the borrower needs and can handle, it would be more of a burden than help and extra funds may go toward personal use, thereby undermining repayment performance. If the loan is too small, it may also encourage borrowers to divert the loan to other purposes. Geitangi (2012) reported that both age and size of loans have an inverse relationship to repayment performance. The main determinants of repayment obligations are the interest charged and the amount of debt (Hietalahti and Linden ,2006). Financial institution sanction loans based on cash flow requirements of the borrower. Small Short-term loans are intended to test the client's commitment to repay the loan.

2.2 The concept of credit risk management in bank lending

2.2.1 Credit Risk Management

Credit risk is the possibility that the actual return on an investment or loan extended will deviate from that, which was expected (Conford, 2000). Coyle (2000) defines credit risk as losses from the refusal or inability of borrowers to pay what is owed in full and on time. Credit risk is a financial exposure resulting from a Bank's dependence on another party (counterparty) to perform an obligation as agreed (National Bank of Ethiopia 2010). Credit risk, as defined by the Basel Committee on Banking Supervision (2001), is also the possibility of losing the outstanding loan partially or totally, due to credit events (default risk). It can also be defined as the potential that a contractual party will fail to meet its obligations in accordance with the agreed terms. Credit risk is also variously referred to as default risk, performance risk or counterparty risk (Brown and Moles, 2012).

According to Mwengei (2013) Credit risk management is a process and a comprehensive system. The process that begins with identifying the lending markets, often referred to as "target markets" and proceeds through a series of stages to loan repayment. Credit risk management is defined as identification, measurement, monitoring and control of risk arising from the possibility of default in loan repayments (Coyle, 2010). Pagano and Jappelli (2013) shows that information sharing reduces adverse selection by improving bank's information on credit applicants. Credit risk management practice is defined as the combination of coordinated tasks and activities for controlling and directing credit risks confronted by an organization through the incorporation of key risk management tactics and processes in relation to the organization's objectives (Nikolaidou and Vogiazas, 2014). In their model, each bank has private information about local credit applicants, but no information about non-local applicants. If banks exchange information about their client's credit worthiness,

they can assess also the quality of non-local credit seekers, and lend to them as safely as they do with local clients. The impact of information sharing on aggregate lending in this model is ambiguous. When banks exchange information about borrowers' types, the increase in lending to safe borrowers may fail to compensate for an eventual reduction in lending to risky types. Information sharing can also create incentives for borrowers to perform in line with banks' interests.

Klein (2012) shows that information sharing can motivate borrowers to repay loans, when the legal environment makes it difficult for banks to enforce credit contracts. In this model borrowers repay their loans because they know that defaulters will be blacklisted, reducing external finance in future. Vercammen (2008) together with Padilla and Pagano (2010) show that if banks exchange information on defaults, borrowers are motivated to exert more effort in their projects. In both models, default is a signal of bad quality for outside banks and carries the penalty of higher interest rates, or no future access to credit. Loan defaults and nonperforming loans need to be reduced (Central Bank Supervision Annual Report, 2006; Sandstorm, 2009). Credit risk management is made up of various strategies such as credit terms, client appraisal and credit risks controls. For the banking organizations to minimize the credit risks posed by their clients they have to put these strategies into action. Mwengei (2013) also argues that these strategies may fail due to various external factors such as government controls internal and external political interferences and pressures, production difficulties, financial limitations, market disruptions, delays in production schedules and frequent instability in the business environment which undermine the financial condition of borrowers

2.2.2 Credit Terms

Tsige (2013) defines Credit terms are the qualifying requisites demanded by the lender of money to be fulfilled by the borrower before a loan is give. In short it is a contract which specifies the expectation of the lender in order to disburse money in less risk conditions. These specifications denote mainly time periods and interest rates to be conformed to. Credit period refers the time over which the loan must run from date of signing the loan offer letter to the date of maturity the date to which the loan must have been fully paid up. The length of the credit period is determined by collateral value, credit risk, the size of account market competition (Ross, Westerfield and Jordan, 2010). Loan in a specific segment will have a different interest rate which suits that specific category of a debt.

The interest rates charged is a cost on borrowed funds and may affect the loan performance. The criteria used to vet a client for a loan plays a vital role in giving an insight whether that borrower would be in a position to meet his or her contractual obligation. Stringent or liberal credit policies will either make or break the contractual obligation between the two parties that is the lender and the borrower. It is undoubted that strict polices will result in less portfolio loan default relative lenient polices.

2.2.3 Client Appraisal

Nyasaka (2017) is the view that client appraisal is one of the crucial stages in the loan processing procedures because this stage analyses information about the financial strength and creditworthiness of the customer. Client appraisal includes loan request procedures and requirements contained in the credit policy documents of banks to guide loan officers in the processing of loans for customers. Banking institutions they vary in how they operate but most commercial banks' credit policy, procedures and directives guide the credit assessment process. Banks should base their credit analysis on the basic principles of lending which are Character, Capacity, Capital, Collateral and Conditions (Kipchumba,2015:Matovu and Okumu, 1996).

Credit analysis and client appraisal can be employed to determine a borrower's character through a series of assessments and evaluation. The credit manager would be interested in the borrower's character, capital, capacity, collateral, and the cyclical component of the economy and this is known as the 5Cs (Strischek,2015). Chen (2009) also agrees with (Strischek,2015) and put across the five Cs framework used in assessing a customer's application for credit Initial loan vetting try to establish whether borrower will negate on their obligation before a loan is given to them. This probability of the intention to default will be picked early if the borrower supplies inaccurate information. Inaccurate information may take the colour of giving false values of securities by either overvaluing or understating the value, falsifying financial positions. All these are good indicators that borrower will not be in a position to pay. The five Cs are test on accuracy, honesty, collaterals, cash flow and capacity to establish the borrower's ability to repay (credit worthiness).

According to Abedi (2010), there are basically five Cs used by money Lenders to rate the credit worthiness of their customers which are character, capacity, capital, collateral and condition.

Mosinde (2012) agrees with Abedi (2010) and postulates that the possibility of getting a hundred percent payment from customers who passed the five Cs is high. Nsobilla (2015) a scholar in banking issues is of a different view with Mosinde (2012) and Abedi (2010) when he argues that other than the 5Cs there other issues that can cause Lenders to default issues such as death and relocations. Once a bank client has relocated to another country and guided by the issue of abscondence it impossible for the banking institution to follow him and recover their losses.

2.2.4 The 5 C's Model of Client Appraisal

Commercial banks such as CBZ use the 5C's model of credit to evaluate a customer as a potential borrower (Kipchumba, 2015). The 5C's help commercial banks to increase loan performance since they are able to ascertain creditworthiness. These 5C's are: character, capacity, collateral, capital and condition. The 5C's model needs to be incorporated in the credit scoring model. The credit scoring model is a classification procedure in which data collected from application forms for new or extended credit line are used to assign credit applicants to good or bad credit risk classes(Kipchumba,2015).

Character is a tool used by commercial banks to provide them with weighting values for various characteristics of a credit applicant and the total weighted score of the applicant is used to estimate his credit worthiness. Kipchumba (2015)notes that the factors that influence a client can be categorized into personal, cultural, social and economic factors. Kurui and Kalio (2012) assert that psychological factor is based on a man's inner worth rather than on his tangible evidences of accomplishment. Commercial banks consider this factor by observing and learning about the individual. The know your customer principle is crucial in prudential lending practises. In most cases it is not considered on first application of credit by an applicant but from the second time. Under social factors, lifestyle is the way a person lives. This includes patterns of membership groups, consumption and entertainment. A lifestyle typically also reflects an individual's attitudes, values or worldview. Reference groups in most cases have indirect influence on a person's credibility. Commercial banks try to identify the reference groups of their target as they influence a client's credibility. Personal factors include age, life cycle stage, occupation, income or economic situation, personality and self-concept.

The commercial banks take into consideration the cash flow from the business, the timing of the repayment, and the successful repayment of the loan by tracking and monitoring loan

borrowers. Cash flows enable commercial banks to determine if the borrower business net cash flow will enable her or him to repay the loan. Anthony (2006) defines cash flow as the cash a borrower has to pay his debt. It may include more than simply comparing income and expenses. Commercial banks determine cash flow by examining existing cash flow statements and reasonable projections for the future ratios. Collateral represents assets that the company pledges as alternative repayment source of loan. Most collateral is in form of hard assets such as real estate and office or manufacturing equipment. Alternatively accounts receivable and inventory can be pledged as collateral. Lenders of short term funds prefer collateral that has duration closely matched to the short term loan. Capital is measured by the general financial position of the borrower as indicated by a financial ratio analysis, with special emphasis on tangible net worth of the borrower's business. Capital is the money a borrower has invested in the business and is an indication of how much the borrower has at risk should the business fail. Condition refers to the borrower's sensitivity to external forces such as interest rates, inflation rates, economic cycles and competition .They focus on the vulnerability of borrowers.

2.2.5 Credit Risks Controls

Effective risk management requires a reporting and review structure to ensure that risks are effectively identified and assessed and that appropriate controls and responses are in place (Ngugi,2012). Risk monitoring and controlling can be used to make sure that risk management practices are in line and proper risk monitoring also helps bank management to discover mistake at early stage (Al-Tamimi and Al-Mazrooei, 2007). Ngugi(2012) argues that monitoring and controlling is the last step in the corporate risk management process. Ngugi(2012) argues that within the banking sector the main function of the risk manager is to monitor; measure and control credit risk, so for the commercial banks to enhance their loans performance they have to employ the use of the risk manager.

Nyasaka(2015) is of the view that the occurrence of bad debts can be reduced if lenders pay attention to monitoring and control. In monitoring and control(Rouse,2009) identified internal records, visits and interviews, audited accounts and management accounts as some of the ways that help in the monitoring and control process. This can minimize the occurrence of non-performing loans through ensuring the utilization of the loan for the agreed purpose, identifying early warning signals of any problem relating to the operations of the customer's business that are likely to affect the performance of the facility; ensuring compliance with the

credit terms and conditions and enabling the lender discusses the prospects and problems of the borrower's business. Through the monitoring and control process, a lending decision can be made on sound credit risk appraisal and assessment of creditworthiness of borrowers. Though past records of satisfactory performance and integrity serve as useful guide to project trend in performance they don't guarantee future performance. A loan granted on the basis of sound analysis might go bad because the borrower may not meet obligations per the terms and conditions of the loan contract (Norton and Andenas, 2007). Lenders are thus advised to have proper follow up and monitoring aspects which are essential. This include; ensuring compliance with terms and conditions, monitoring end use of approved funds, monitoring performance to check continued viability of operations, detecting deviations from terms of decision and making periodic assessment of the performance of the loans (Leply, 2007).

2.3 Theoretical Review

The fact that the banking industry is still growing great effort must be put in place to ensure that effective strategies are put in place to minimize risk and maximize loan performance at any particular point while in operation.

2.3.1 Commercial Loan Theory

The oldest theory of banking is the commercial loan theory, also called the real bills doctrine. The commercial loan theory holds that banks should lend only on short term, self-liquidating, commercial paper. According to Hosna and Manzura, (2009), the commercial loan theory is geared to influence persuasively both the bank lending and the general economic activities. Strict adoption of this theory will reveal that it is expected to serve as a monetary supply to changes in aggregate economic activity. The popularity of this doctrine among Deposit-Money Banks (DMBs) in Nigeria is evident. Nigerian bankers believe that since their resources were repayable at short notice, such depositors' monies should be employed accordingly in short-term loans. Kargi(2011) posited that the strong tie to this conception is rather orthodox if consideration is given to the fact that at the time of the supremacy of the theory, there were little or no secondary reserve assets, which could have served as a liquidity buffer for the bank. More so, this theory fails to consider the credit needs of Nigeria's developing economy. It has not encouraged banks to fund the purchases of plants, equipment, land, and home-ownership. For a theory to maintain that all loans should be liquidated in the normal course of business shows its failure to recognize the relative stability of bank deposits. Whereas, demand deposits are on demand, all depositors are not likely to demand

payment at the same time. Thus, stability of deposits enables a bank to extend funds for a reasonable long period without danger of illiquidity. Though, with its flaws, the commercial loan theory, or real bills doctrine has been a persistent theory of banking. Vestiges of it still remain in the structure of bank regulatory agencies, bank examination procedures and the thinking of many bankers. One cannot understand contemporary banking without an understanding of our banking history, and cannot understand banking history without an understanding of the commercial loan theory.

2.3.2 Transactions Costs Theory

Transaction cost theory was developed by Williamson in 1975. Williamson (1984) builds on the earlier work of Robert Coase, which indicated that a transaction occurs when a good or service is transferred across technologically separable interfaces. He states that the operation of a market costs something and by forming an organization and allowing some authority or an entrepreneur to direct the resources, certain marketing costs are saved. The entrepreneur has to carry out his function at less cost, taking into account the fact that he may get factors of production at a lower price than the market transactions which he supersedes (Chen and Pan, 2012).

Transaction costs due to information asymmetry between banks and borrowers can impact on lending decisions of the bank due to the high credit risks that the bank is exposed to. Williamson (1986) developed a model of credit rationing where borrowers are subject to a moral hazard problem. The bank has an information advantage in checking the credit worthiness of their clients. The banks also have better ability to monitor and force repayment of the credit due to information acquisition, controlling the buyer and salvaging value from existing assets (Petersen and Rajan, 1997). An increase in the loan costs raises the expected return to the lender, but also results in an increase in the probability that the borrower defaults (Mattius, 2009). This theory views the banks as a governance structure. This influences development of credit guidelines that clearly outline the scope and allocation of bank credit facilities and the manner in which the credit portfolio is managed, which is how loans are originated, appraised, supervised and collected.

2.3.4 Information Theory

Mutua(2015), Derban, Binner and Mullineux (2005) recommended that borrowers should be screened especially by banking institutions in form of credit assessment. Collection of

reliable information from prospective borrowers becomes critical in accomplishing effective screening as indicated by symmetric information theory. Qualitative and quantitative techniques can be used in assessing the borrowers although one major challenge of using qualitative models is their subjective nature. However according to Derban et al (2005) borrowers attributes assessed through qualitative models can be assigned numbers with the sum of the values compared to a threshold. This technique minimizes processing costs, reduces subjective judgments and possible biases. The rating systems will be important if it indicates changes in expected level of credit loan loss. Mutua (2015) concluded that effective quantitative models make it possible to numerically establish which factors are important in explaining default risk, evaluating the relative degree of importance of the factors, improving the pricing of default risk, screening out bad loan applicants and calculating any reserve needed to meet expected future loan losses.

2.4. Intervention Strategies to Enhance Loan Performance

2.4.1 Intervention Strategies to Enhance Loan Performance

A sound and profitable banking sector is able to withstand negative shocks and contribute to the stability of the financial system (Bennardo, Pagano and Piccolo, 2007). Survival of most commercial banking institutions depends entirely on successful lending program that revolves on funds and loan repayments made to them by the clients (Sindani, 2012). Kalio et al (2012) citing (Kakuru, 2000) is of the view that the survival of these commercial banking institutions requires a restrictive credit control system to be put in place so as to restrain from unnecessary lending thus, improving on profitability of micro finance institutions (Kakuru, 2000). Credit management is the executive responsibility of determining customer's credit ratings as part of the credit control function. According to Shu (2002) non-performing loans also have a negative effect on a countries GDP growth, inflation rate and increase in property prices hence in that light there is need for the banking institutions to come up with strategies that will enhance the performance of loans within the banking sector such strategies includes credit management.

Credit Risk Management refers to the systems, procedures and controls which a banking institution puts in place to ensure the efficient collection of customer payments and minimize the risk of non-payment (Naceour and Goaiad, 2003) Credit risk management forms a key part of a company's overall risk management strategy. Weak credit risk management is a primary cause of many business failures. Many small businesses have neither the resources

nor the expertise to operate a sound credit management system (Richardson, 2002). For the banking institutions they have to be strict when they are dealing with loan clients so as to enhance the performance of the loans department within the organization. The first stage in credit risk management is risk identification, risk identification is vital for effective risk management, for banking organizations to manage risks facing them effectively they need to know how to identify the credit risks. The first step in risk identification and prioritizing key risks which are reviewed and approved by the credit management committee. There is also need to determine the degree of risk the banking organization should tolerate and to conduct assessments for each risk of the potential negative impact if it is not controlled. Finally analyse the risk faced by the bank in the areas of interest rates risk, liquidity, credit, operations and strategic risks.

Risk analysis and Assessment is also an important element within the banking sector so as to enhance loan portfolio performance. Atypical risk analysis process consists of two components; financial analysis (quantitative analysis) and qualitative analysis. Financial analysis consists of analysis of financial; data available for the credit applicant, the analysis of annual financial statements has a central position in this context. Mostly financial analysis is carried out by credit analysts, there should be a general guideline stipulating that the analysis is confirmed by the person in charge of the organizational unit supplying the module for credit analysis when this module is handed over to the credit officer managing the exposure (Eldelshain, 2005)

Credit Approval is one among the strategies that can be adopted by the banking organizations to enhance loan performance. Kalio et al (2012) to across those clear established processes of approving new creditors and extending the existing credits has been observed to be very important while managing credit risks in banking sector. Credit unions must-have in place written guidelines on credit approval processes and approval authorities. The board of directors should always monitor loans, approval authorities will cover new credit approvals, renewal of existing credit changes in terms and conditions of previously approved credits particularly credit restructuring which should be fully documented and recorded. Prudent credit practice requires that persons empowered with the credit approval authority should have customer relationship responsibility. Approval authorities of individuals should be commensurate to their positions within the management ranks as well as their expertise(Mwisho, 2001). Banking institutions in Zimbabwe has to employ various strategies to enhance loan performance and among is client appraisal and credit risk control.

2.4.2 Effect Of Credit Terms On Loan Performance

A Credit term is a contractual stipulation under which a firm grants credit to customers (Wamasembe, 2002); furthermore these terms give the credit period and the credit limit. Moti et al (2012) are of the view that credit terms will specify the credit period and interest rates. Credit period refers to the period of time in which the credit is granted. The length of the credit period is influenced by Collateral value, Credit risk, the size of the account and market competition (Ross, Westerfield & Jordan, 2008). Banking institutions should make terms more attractive to act as an incentive to clients without incurring unnecessary high levels of bad debts and increasing organizations risk by so doing the banking institution will have enhanced its loans performance. Once the terms are attractive it means that clients will be forced to come and apply for loans in numbers hence the organization will be enhancing its financial performance.

Credit terms normally stipulate the credit period, interest rate, method of calculating interest and frequency of loan instalments. Banking organisations can then attract more clients if their credit period is long enough for the applicant to realize profits to back the loan. Hence the longer the period the smaller the chance of having defaults within the organization. the reduction in the number of defaulters within the organization it means that the loans performance will have been significantly enhanced hence the banking institutions when they offers loans to their clients they have to offer an attractive period of paying back the loan since it has a positive impact on the loans performance. Moti et al(2012) are also of the view that the interest rates offered by the bank influences the performance of loans hence it is of paramount importance for banking institutions to carefully determine the interest rates of the products they offer so as to attract clients to apply for the loan. high interest rates affects the market of the bank products thereby affecting the loans performance therefore there is need for the banking institutions to come up with attractive percentages on interest rates so as to boost the market of loans within the banking sector.

Moti et al (2012) also argue that high interest rates will negatively impact the paying back of loans within the banking institution hence to reduce the rate of those who default the organization must offer attractive interest rates. Frequency of loan instalments is one of the credit terms that has to be considered significantly within the banking sector since it has an impact on the loans performance. The loans instalments must be arranged in such a way that they attract clients thereby enhancing the loans performance.

Moti et al (2012) observes that credit terms are normally looked at as the credit period terms of discount and the amount of credit and choice of instrument used to evidence credit. Credit terms may include; Length of time to approve loans, this is the time taken from applicants to the loan disbursement or receipt. It is evaluated by the position of the client as indicated by the ratio analysis, trends in cash flow and looking at capital position. Maturity of a loan, this is the time period it takes loan to mature with the interest there on. Cost of loan. This is interest charged on loans, different micro finance institutions charge differently basing on what their competitors are charging. The chartered institute of bankers and lending text (1993) advises lending institutions to consider amount given to borrowers. Moti et al (2012) pointed out that the maximum loan amount per cycle are determined basing on the purpose of the loan and the ability of the client to repay (including guarantee). For banking institutions to enhance their loans performance they have to consider issues such as the maturity of a loan and also the cost of a loan and make this attractive to clients to apply for loans.

2.4.3 Effect of Client Appraisal Model on Loan Performance

Credit processing is the pre-qualification screening criteria where all required information on credit is gathered and applications are screened. The criteria may include rejecting applications from blacklisted customers, financial institutions should have a checklist to ensure that all required information is, in fact, collected. Chilukuri (2014) is of the view that client appraisal is where the financial institution assesses the customer's ability to meet his obligations. Basing on the view of (Chilukuri, 2014) it shows that the process of client appraisal within the banking institution will have a positive impact on the organization's loan performance. In order for banking institutions to maximize they loan performance that have to be equipped with well-designed client appraisal criteria to ensure that facilities are granted only to creditworthy customers who can make repayments from reasonably determinable sources of cash flow on a timely basis. Once the designed client appraisal criteria ensures that the client are repaying the loan on timely basis will be a step towards loan performance enhancement within the banking institution.

Forgyet al(2005) argues that the client appraisal criteria must determine the amount and purpose of lending by so doing the banking institution will evaluate the purpose of the loan required and the amount need and verify if the intended purpose has returns that will be able to repay the loan in due time. Once the element of determining the amount and purpose of lending has been done it means the loan performance of the bank will have been enhanced

since the bank staff will be convinced that the intended purpose of the loan will in the short run pay back the loan within defaulting. Forgy et al(2005) went on to add another element of the client appraisal criteria that is determining credit worthiness of the applicant to assume the credit obligation. By determining the credit worthiness of the applicant it means that banking institution will award loans to clients that have a good credit history and such good history will then assure the banking institution that the awarded client will pay back the loan without defaulting thereby enhancing the organizations' loan performance.

Understanding risk profile of the borrower is one of the elements that were put forward by (Forgy et al 2005) on criteria of client appraisal. When banking institutions take the initiative of understanding the risk profile of the borrower they will be reducing the risk associated with award a loan to client that will default paying backing the loan in the long-run. Hence for the banking institution to increase their loans performance they have to consider the element of risk profiling of the borrower since that will reduce the chances of the client defaulting. it is also important for the banking institutions to do inspection of the borrower's business premises as well as the facility that is the subject of the proposed financing, by doing the inspection will help the organization to award loans to the applicants since they will be assured that indeed the client has collateral and in the event that the client defaults the organizations will recover their money by attaching the client's proposed collateral thereby reducing affecting the loans performance within the banking institution. The banking institution can also increase the performance of the loans department they have also to ensure goodwill of applicant

Banking institutions can also use the 5Cs model of credit to evaluate a customer as a potential borrower (Abedi, 2000). The 5Cs help banks to increase credit performance, as they get to know their customers better. These 5Cs include character, capacity, collateral, capital and condition. Character basically is a tool that provides weighting values for various characteristics of a credit applicant and the total weighted score of the applicant is used to estimate his credit worthiness (Myers and Forgy, 2005).This takes care of what type of person the banker is dealing with? Does he or she have the desire and willingness to repay the loan? To answer these questions entails analyzing the borrowers' business portfolio, credit history and personal characteristics, to predict behavioral patterns. Character is regarded by many lenders to be the most important factor to consider in granting a loan or a credit facility (White 2011). Within the banking institutions character of the client is of paramount importance since it has the ability of enhancing the loans performance of the banking

institutions since the bank will have award loans to clients of reputable character. Hence character in the banking industry entails of the banking history of the client to be awarded a loan. Assessment of character is important because the lender wants to be sure that borrower will use the money for its primary purpose and not divert it to other uses.

Capacity addresses the question whether or not the applicant has the ability to repay the loan and handle the proposed new level of debt. There are two steps that measure the capacity of the customers. The first step evaluates the customers income while the second step evaluates the customers cash flow and overall ability to repay credit obligation as and when due. By putting a strict measure on the element of the client's capacity to repay the loan will enhance the loans performance within the banking institution. Forgy et al(2005) also consider the element of Capital as an important element when awarding loans to the applicants. Lender need to know if applicants have back up capacity to repay the loan if unfavorable situation arise. Capital refers to the borrower wealth position measured by financial soundness and markets standing can the firm or individual withstand any deterioration in its financial position? An analyst can estimate the relationship between the assets and liabilities of firms generally by using financial statements. The financial statement is analyzed as part of decision making and verification process, once the banking institution is assured that client's capital is sufficient to pay back the loan in the event that the purpose of the loan fails to harvest profits. Hence the element of capital when appraising clients is paramount importance since it enhances the loans performance within the banking institution.

Forgy et al(2005) also put across the element of conditions as an important element to do client appraisal when awarding loans to clients. Conditions refer to the economic environment or industry's specific supply, production and distribution factors influencing the firms operations. It involves any relevance influence outside the core credit decision factors that affect the risk level of the loan. These influences include charges in the economic, social and political environment, Government regulations, competition or changes in the banks goals and objectives. Changes in the external environment are often reflected in changes to the banks' lending policies new government regulations become an immediate part of lending policy whereas changes in the social environment tend to take much longer to be reflected in lending practices. The external environment of the business if not well accessed will affect the loans performance within the banking institution. Collateral is the lenders secondary sources of security or repayment of a loan in case of default. Having an asset that the bank can seize and liquidate when a borrower defaults reduces loss but does not justify lending

proceeds when the credit decision is originally made hence collateral enhances the loans performance.

A study by Murray (2011), found out that through loan appraisal; management can gauge its ability to generate earnings from the bank's total pool of assets, that if not well done could lead to decline on asset returns thus financial performance of commercial banks in U.S.A. The thorough loan appraisal of the loan applicant before loan advancing with an aim of assessing the study recommended that there was need for commercial banks to enhance their client loan appraisal policy so as to influence positively on financial performance. This study shows that adherence to provisions of the credit appraisal in many commercial banks remains a challenge which affects the overall financial performance of the concerned commercial banks.

2.4.4 Effects Credit Risk Controls on Loan Performance

Most of the studies that were done on credit risk controls and their effects to loan performance have reviewed that there is a positive relationship between the two hence the introduction of credit risk control strategies within the banking institution will positive impact loan performance. Samuel (2011) defines Credit risk simply as the potential that a bank borrower or counterpart will fail to meet its obligations in accordance with agrees terms. The goal of credit risk management is to maximize a bank's riskadjusted rate of return by maintaining credit risk exposure within acceptable parameters. Previous studies have noted that high credit risk controls (CRC) result in low chances of defaults (Ross et al., 2008). Therefore, credit risk could be alleviated by utilizing danger based evaluating, contracts, credit protection, tightening and broadening (Ross et al., 2008).

Credit risk is the most significant risk faced by banks and the success of their business depends on accurate measurement and efficient management of this risk to a greater extent than any other risks (Gieseche, 2004). Banking institutions to enhance the loans performance they have to be strict on their credit risk controls. Key Credit controls include loan product design, credit committees, and delinquency management. Churchill and Coster (2001) proposed that banking institutions that offer loans can mitigate a significant portion of default risk by designing loan products that meet client needs. Loan product features include the loan size, interest rate and fees, repayment schedule, collateral requirements and any other special terms. Loan products should be designed to address the specific purpose for which the loan is intended by so doing the organization will avoid to give their clients loans that they cannot

repay hence enhancing the performance of loans within the financial institution. Once the financial institutions design the product they offer they will attract clients who have the capacity to pay back the loan which can be noted as loan performance.

Credit Committees have been noted as an important element on credit risk controls and the introduction of such committees have a positive impact on loan performance in the entire banking institutions. Establishing a committee of persons to make decisions regarding loans is an essential control in reducing credit (and fraud) risk. If an individual has the power to decide who will receive loans, which loans will be not only for approving loans, but also for monitoring their progress and, should borrowers have repayment problems, getting involved in delinquency management. The credit risk control written off or rescheduled and the conditions of the loans, this power can easily be abused and covered up. While loan officers can serve on the credit committee, at least one other individual with greater authority should also be involved. The credit committee has the responsibility committees will then do the vetting processes of qualifying the clients to be awarded loans and by so doing the committee will minimise the chances of awarding loans to clients who will default. if the credit committee manages to reduce defaults it means that the committee would have enhanced loans performance within the banking sector. To minimize such delinquency banking institutions can use the following delinquency management methods Institutional Culture: A critical delinquency management method involves cultivating an institutional culture that embraces zero tolerance of arrears and immediate follow up on all late payments. Banking institutions can also remind clients who have had recent delinquency problems that their repayment day is approaching. Through embracing zero tolerance of arrears the banking institutions will be reducing the chances of non-performing loans to be awarded to the applicants. The need of reporting systems and monitoring reports in place that are actioned timeously to ensure proper tracking system of loans.

Gatuhu (2011) is of the view that a logical first step toward developing a zero-tolerance institutional culture is to communicate this concept to each new client before she receives a loan. Some of the loans applicants are not aware of the product that they are seeking hence a Client Orientation will convince the client whether to accept the loan or not since they will now be equipped with the knowledge on how the repayment processes are undertaken. Hence the introduction of client orientation within credit risk controls will enhance the performance of loans within the banking institutions. There are various policies that an organization should put in place to ensure that credit management is done effectively; one of these policies is a

collection policy which is needed because all customers do not pay the firms bills in time. Some customers are slow payers while some are non-payers. The collection effort should, therefore aim at accelerating collections from slow payers and reducing bad debt losses (Kariuki, 2010) for organizations in the banking sector will enhance the performance of loans they have to strictly consider the element of collection policies.

2.5 Review Of Empirical Literature

Silikhe (2008) on credit risk management in microfinance institutions in Kenya found out that despite the fact that MFI's have put in place strict measures to credit risk management, normal loan recovery is still a challenge to majority of the institutions. Gisemba (2010) researched on the relationship between risk management practices and financial performance of Saccos found out that the Saccos adopted various approaches in screening and analysing risk before awarding credit to client to minimize loan loss. This includes establishing capacity, conditions, use of collateral, borrower screening and use of risk analysis in attempt to reduce and manage credit risks. He concluded that for Saccos to manage credit risks effectively they must minimize loan defaulters, cash loss and ensure the organization performs better increasing the return on assets.

2.5.1 Credit Terms

Gatuhu (2011) conducted a study on the effect of credit management on the financial performance of microfinance institutions in Kenya and the study revealed that MFIs' credit terms they also use collection policy in Credit Management to a great extent. Formulation of collection policies have been a challenge in credit management , enforcement of guarantee policies provides chances for loan recovery in case of loan defaults, Staff incentives are effective in improving recovery of delinquent loans, a stringent policy is more effective in debt recovery than a lenient policy, regular reviews have been done on collection policies to improve state of credit management, and finally that available collection policies have assisted towards effective credit management. The study recommends that MFIs should enhance their collection policy by adapting a more stringent policy to a lenient policy for effective debt recovery.

2.5.2. Client Appraisal

The study by (Shukla et al, 2016) on the effects of credit management on performance of commercial banks in Rwanda revealed that commercial Banks in Rwanda use client appraisal

in Credit Management to a moderate extent. Further it established that client appraisal is a viable strategy for credit, Aspects of collateral are considered while appraising clients, failure to assess customer's capacity to repay results in loan defaults, client appraisal considers the character of the customers seeking credit facilities and that commercial Banks in Rwanda have competent personnel for carrying out client appraisal hence according (Shukla et al ,2016) client appraisals positively influences bank performance. The study established that Banks must have in place written guidelines on credit approval process and the approval authorities of individuals or committees as well as the basis of those decisions. The study established that the ability and qualifications of the credit officer is of importance in assessing the credit worthiness of the borrower. Therefore the bank's staff should be given occasional training to equip them with the relevant skills as this will go a long way in reducing the levels of nonperforming loans. Credit appraisal standards for commercial banks should be customised to the credit worthiness of the respective borrower.

2.5.3 Credit Risk Controls

A study by (Hesborn et al, 2016) on effect of credit risk management practices on the financial performance of SACCOS in Kisii county revealed that most of the respondents believed that credit risk controls played a great role in credit risk management although most SACCOS only reviewed their policies whenever need arose since their management was fairly involved in the credit assessment processes. This affected their experience in credit judgment at equal measure as most SACCOS sometimes took their time to evaluate their overall credit performance. It was also revealed that most SACCOS in the Matatu sector did not have the necessary experience in the process of credit risk management. The study also established that most SACCOS were still using manual credit reminders as well as manual reporting systems. This indicated that most SACCOS especially those operating under back office service activities (BOSA) did not embrace technology (ICT) as this would enhance sufficient monitoring and supervision of loans. The study further concluded that there was a positive relationship between credit risk controls and the financial performance of savings and credit cooperatives in Kisii County.

Most studies that was review that the is positive connection between loan performance and credit control management but not much have been covered on intervention strategies hence for organizations within the banking institutions have to adopt various strategies to so as to enhance loan performance. For organizations such as CBZ has to put strong measurers on

credit terms, client appraisal, credit risk control measures and credit management so as to enhance its loans department's performance.

2.6 Chapter Summary

The chapter was able to review literature by various writers. The main objective which was to determine the relationship between intervention strategies and loan performance within CBZ has been covered fully. The theoretical framework was also reviewed in-detail and the empirical evidence was also highlighted at the end the chapter. The next chapter focuses on the research methodology giving details of the research procedures and a data presentation method that was used in this study

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

The chapter outlines the methods and techniques used by the researcher in collecting data that was used to assist on the investigating on the intervention strategies that can be utilised to enhance CBZ loan book performance. This chapter was conducted so that it helped the researcher in collect accurate, reliable and correct information concerning the scenario understudy. It gives out the research design, target population, sampling size, sampling techniques, sources of data, data collection techniques, data presentation and analysis procedures which were used to carry out the research. In general this chapter aims to address how the researcher carried out his research.

3.1 Research Design

Malhotra (2016) a research design is a framework or blueprint for conducting the marketing research project. An De Langen (2009) and Parahoo (1997:142) describes a research design as “a plan that describes how, when and where data are to be collected and analysed”. Research design is the path that was followed by the researcher when she gathered information on the strategies that are being employed by CBZ to enhance loan performance within the organization. There are two main research designs in the research literature that are commonly used, and these are descriptive and exploratory research design and in this study the researcher adopted the use of exploratory research design.

3.1.2 Explanatory Research Design

Van Wyk (2012) Explanatory study or causal or analytical. The main aim is to identify any causal link between the factors or variables. It goes further than descriptive research it goes beyond describing existing conditions to analysing or explaining why and how something is happening. By adopting the use of explanatory research design the researcher has the ability to highlight the perception of loan assessors on the strategies adopted by the banking to enhance the performance of the loans department. The adopted design enabled the researcher to gather in-depth knowledge on the adopted strategies by the bank through the use of questionnaires.

3.1.2.1 Justification of the Explanatory Research Design

The researcher selected the explanatory researcher design because she wanted to explain the effects of the intervention strategies on enhancing loan performance within the banking institution. Baskerville et al (2010) explanatory research deals with cause and effect relationships. This research design was appropriate as it allowed the researcher to have an objective and independent assessment of non-performing loans without any bias or influence from the researcher herself. Chiromo (2006) argues that a good research design not only will anticipate and specify the seemingly countless decisions connected with planning and carrying out data collection, processing and analysis but also will present a logical basis for these decisions. The explanatory research design is intended to explain rather than describe, it answers the how and why questions giving indepth knowledge of the issues under study.

3.2 Target Population

According to Shiu et al (2009), target population is a number of elements recognized for examination purposes on the bases of research objectives. Malhotra and Dash (2010) defined target population as the process of collecting elements or objects that have the information required by the investigator and about which inferences can be made. According to Bryman and Bell (2003) population is the universe units from which the sample is to be selected. The study population was 56 which was then subdivided into loan managers; loan officers and operations managers

Table 3.1 Represents Population

Respondents	Population
Retail Managers	14
Loans officers	28
Operations managers	14
Population Size	56

3.3 Sampling

Field (2005) postulates that a sample is a smaller (but hopefully representative), collection of units from population used to determine truths about the population. According to Bruner and Kumar (2000) sampling is a process whereby one chooses respondents from a big population

that he or she wishes to study and make generalized statements as well as drawing a conclusion about the whole population. A total of 46 employees and stakeholders of CBZ were chosen using ideal methods which made sure that sampled elements represented the entire population of the study. Malhotra (2016) argues that a sample must be big enough to represent the entire study population

3.3.1 Stratified Random Sampling

The study adopted the use of stratified random sampling Malhotra (2016:387) argues that stratified sampling is a two-step process in which the population is partitioned into subpopulations, or strata. The strata should be mutually exclusive and collectively exhaustive in that every population element should be assigned to one and only one stratum and no population elements should be omitted. Shukla, (2010) argues in the same line with Malhotra (2016) when he put across that stratified sampling is distinguished by a two-step procedure that is, firstly the population is divided into mutually exclusive and collectively exhaustive sub-populations which are called strata, and secondly, a simple random sample of the elements is chosen independently from each group or strata . Stratified random sampling was adopted because it allowed the researcher to subdivide the population into sub-elements which are loans officers and loans managers. The researcher made use of the information provided by the human resources department and the account management department to be to categorise the population. The target population was heterogeneous in nature hence the researcher came up with four distinct elements. By adopting the use of stratified random sampling the researcher was able to collect primary data in short space of time.

Stratified random sampling involves the separation of the target population into different groups, called strata, and the selection of samples from each stratum (Hair et al, 2010, 134). Each element should, however, be allocated to only one subgroup. One of the guiding factors that the researcher used to determine the candidates of each group is the fact that the elements within a stratum should be as homogeneous as possible but the elements in various strata should be as heterogeneous as possible. In other words, elements within a stratum should display similar characteristics whilst various strata should possess differing characteristics hence one of the developed element was the loans officers group which was made up of loans officers of CBZ.

3.3.2 Justification of Stratified Random Sampling

Saunders et al (2012) are of the view that stratified random sampling reduces potential human bias in the selection of elements to be included in the sample. By adopted this sampling method ensured that each element of the target population was truly represented thereby reducing over representing a particular group or element. Therefore for the target population is divided into three groups which comprised of retail managers, operations managers and loan officers. Each group performs a different role in the loan processing and has a different exposure to information regarding loans. The managers are responsible for authorisation and the loan officers are there to perform the initial stages of loan processing such as credit appraisals.

3.3.3 Simple Random Sampling

A simple random sample is a subset of a statistical population in which each member of the subset has an equal probability of being chosen. Malhotra (2016) is of the view that in simple random sampling (SRS), each element in the population has a known and equal probability of selection. Simple random sampling (also referred to as random sampling) is the purest and the most straightforward probability sampling strategy. The researcher went on to adopt the use of simple random sampling since the researcher wanted to give each element in each group equal chances of being chosen when being sampled. It is also the most popular method for choosing a sample among population for a wide range of purposes. In simple random sampling each member of population is equally likely to be chosen as part of the sample. It has been stated that “the logic behind simple random sampling is that it removes bias from the selection procedure and should result in representative samples”. Ideally, the sample size of more than a few hundred is required in order to be able to apply simple random sampling in an appropriate manner. To avoid bias the researcher had to put the target population into stratas that is the stakeholders, loans officers, loans managers and organizational clients.

3.3.4 Justification of Simple Random Sampling

The researcher chose to use simple random sampling because it enabled her to sample a true representation of the targeted population. The researcher is also justified by (Malhotra; 2016) who argues that the sample results from random sampling may be projected to the target population. The sampling technique is convenient since it assures equal chances for each

sample to be sampled. The technique is less time consuming hence it was the most applicable technique in this study.

3.3.5 Sampling Size

According to Shiu et al (2009), sample size can be referred to as the total number of elements needed to represent a defined target population. A sample size of 46 respondents which was made up of 15 retail managers, 20 loans officers and 11 operations managers was drawn from the targeted population. An appropriate sample size should be at least 20% of the population this assertion is supported by scholars such as Hair et al (2002) .in the event that the sample size is small you can add more respondents according to (Maholtra,2016)

Respondents	Size
Loan Managers	15
Loans officers	20
Operations managers	11
Sample size	46

3.4 Sources of Data

Hair et al (2000) points out that data sources are devices used to measure data collected .The researcher used both primary and secondary data so as to be able to establish the effects of Intervention Strategies that can be utilised to enhance CBZbank loan book performance

3.4.1 Primary Data

Amphora(2016) is of the view that primary data are originated by a researcher for the specific purpose of addressing the problem at hand. Zikmund (2010) argues that primary sources are those original sources of data from targeted respondents; it generally provides problem specific data of a current nature hence the researcher adopted the use of primary data because it enabled her to collect data direct from the respondents. Questionnaires were adopted by the researcher in this study so as to enhance the quality of the gathered information on loan performance within CBZ. The questionnaire was developed basing on the constructed objectives of the study. Wilson (2006) supports the researcher adopting primary data by arguing that primary data was more valuable since it addressed the exact problem at hand not

basing on history to predict the future. It enabled the study to have a higher control over how the information was collected.

3.4.2 Secondary Data

Malhotra (2016) is of the view that secondary data are data that have already been collected for purposes other than the problem at hand. Shiu et al (2009) explained secondary data as past data structures of various earlier collected and assembled for research problems or opportunity situations other than current situation the data that was collected by the researcher was from the banking institution's accounts management and human resources department. Malhotra (2016) justify the researcher for opting for secondary data since the data helped to identify the problem. Secondary data has the capacity to answer certain research questions and test some hypotheses.

3.5 Research Instruments

Research instruments are those tools that are adopted by the researcher to collect relevant data and information on the problem at hand from the sampled population. Malhotra(2016) argues that research instruments are tools which are used to collect measure and analyse data, the researcher adopted the use of personal interviews and self-administered questionnaires.

3.5.1 Self-Administered Questionnaire

Malhotra (2010) argues that a questionnaire is a formalized set of questions for obtaining information from respondents. Malhotra (2010) insist that questionnaires are structured techniques for data collection that includes a series of questions which will be verbally written, that a respondent get to answer. Shiu et al (2009) defines a questionnaire as formal structure that consists of a number of questions and or scales intended to create primary data. Saunders et al 2012 argues that a questionnaire is a sequence of questions relating to the research problem understudy. The researcher adopted the use of self-administered questionnaires because they have the prowess to give the respondents a fair environment to respond to questions relating to the research problem understudy. The researcher developed the questionnaires and dropped them to CBZ bank for completion at the convenience of the respondents. The respondents upon completing the questionnaire they returned the researcher and this had an element of transparency since they completed the questionnaire without being supervised hence they feared not to be judge or prosecuted hence they gave their honest opinions concerning the problem understudy.

Barker (2013) quoted Martins (1996), questionnaires come in many shapes and sizes, depending on the format required the target group and the survey method. Broadly all questions are designed to achieve three related goals of maximizing the relevance and accuracy of the data collected, to secure the participation and cooperation of the target respondents and to facilitate the collection and analysis of the data. Questionnaire structure refers to the layout used in making the questionnaire which yields high response rate. The researcher employed the format written by Hair et al (2009). The questionnaire used in the research study commence with an introduction to cheer-up the conversation that briefly profiled the research partaker and the purpose of the research, assured the informant of privacy, anonymity and confidentiality and communicated completion instructions. The researcher to come up with four sections starting with introduction, informant’s demographic data, research objective with Likert-scaled questions from 1 [strongly disagree] to 5 [strongly agree] as shown below.

Table 3.1 The Likert Scale

Response	Strongly Disagree	Disagree	Not sure	Agree	Strongly Agree
Points	1	2	3	4	5

3.5.2 Justification of Self-Administered questionnaire

The researcher wanted to process the data in the SPSS hence he needed the structured questions scaled with the Likert scale. Questionnaires offers the respondent plenty time to give required information in the provided paper, therefore it assures high chances of response. Questioning is also quicker and a less costly research instrument since the consumed resources by the tool are minimal. Using questionnaires made it easy for respondents to build up confidence because of the confidentiality clause that is on questionnaire hence respondents express themselves at will without fearing persecution. The researcher through the use of questionnaires was able find out the relationship of the variables understudy.

3.5.3 Personal Interviews

According to Stake (2012) personal interviews are personal interactions with the respondent who is asked questions and is expected to respond accordingly. However when approaching executives, Kumar (2012) argues that there remain bias of the interviewer as well as that of respondent since executives may not be easily approachable using this method. To ensure objectivity of the interviews, the questions will be short and simple.

3.6.3 Justification of Personal Interviews

Structured personal interviews will be conducted with retail managers, operations managers and loan officers of CBZ bank where pre-coded questions will be used to ensure uniformity in answers. Personal interviews will be used because more information can be gathered in greater depth during the personal interview and there is greater flexibility as the opportunity to restructure questions during the interview remains open (Manoj, 2006).

3.6 Validity and Reliability

In order for instruments to be useful, they have to be reliable and valid. An instrument is reliable if it provides consistent information about the participant. Validity is concerned with what an observation guide or interview measures and for whom it is appropriate. This study considered the issues of validity and reliability in this study.

3.6.1 Reliability

Reliability is the degree to which an assessment tool produces stable and consistent results. A specific measure is considered to be reliable if its application on the same object of measurement number of times produces the same results. In this study the researcher correlated observation and interview methods in a way to get correct findings.

3.6.2 Validity

Zikmund (2013) explained that validity seeks to answer whether a research examines or measures what it claims to examine or measure. Validity can simply be defined as the ability of the instrument to measure what it was produced to measure. In other words it measures whether the research design has fully answered the research questions the researcher wanted to answer (Cohen et al 2000). According to Malhotra and Dash, (2011) validity refers to the accuracy and value of the interpretation. In an article by Mora (2011), validity is concerned

with the accuracy of our measurement and is often discussed in the context of sample representations. To ensure validity, the researcher looked on content, internal and external validity as prescribed by Mora (2011).

3.6.3 Pilot Study

In order to improve the validity and reliability of data, the researcher will conduct a pre-test of the research instruments in a pilot survey. According to Neuman (2010) a pilot study is an activity where questionnaires on a small sub-sample are distributed. The participants in the pilot survey will be the loan managers in the Northern region who will not be part of the population under study. The pilot survey is done to check its meaning, layout and whether the instrument will yield the required data, and whether the data could be analyzed in the intended manner.

3.7 Ethical Considerations

The study was conducted free from fraudulent and misrepresentation of facts, the study was effective manner since the researcher gathered information and data in the field that is within CBZ. Before conducting the study the researcher made an appointment with the bank's management on seeking permission to conduct the study, the researcher highlighted to the management of CBZ that the information gathered in the study was going to be used for academic purposes only and would never be published without the consent of the banking institution the researcher was supported with a letter authored at Midlands State University on the how the information gathered will be treated hence the gathered information was treated with confidentiality. Respondents are volunteering their time and should not be overburdened by soliciting too much information hence the researcher developed a questionnaire that was easy to understand. Malhotra (2016) argues that the researcher should avoid overly long questionnaires. The letter of introduction was used by the study to explain the purpose of the research to potential respondents and request their voluntary participation in the study this helped the sampled respondents to complete the questionnaire freely thereby giving quality information. The respondents were briefed about the purpose of the study and how or why they were chosen. As such they were free from deception or stress that might arise from their participation in this research. Malhotra (2016) argue that the use of offensive, discriminatory, or other unacceptable language needs to be avoided in the formulation of

Questionnaire/Interview/Focus group questions; hence the questionnaire was checked for such language before being administered.

3.8 Data Presentation

According to Saunders (2012), data analysis is defined as a systematic process of reducing or condensing the accumulated data to manageable quantities. Manoj, (2006) further opined that data analysis involves summarizing the collected data, outlining the patterns of results by applying statistical techniques with the objective to identify useful information that the researcher will use to make decisions, (Manoj, 2006). Malhotra (2016) presentation of data should be done in a way that will communicate the information in the reasonable manner. The common wealth Australian 2002 put across that tables help readers to understand statistics. The researcher presented data in form of tables and graphs, to present the collected data. All data are to be presented in form of tables because that makes it simple and clear to be analysed. The research will use the Statistical Package for Social Scientists (SPSS) software to see what information it can provide before conclusions and recommendations are made. Open-ended questions are going to be narratively explained. Data will be presented graphically and on tables to demonstrate the relationship of the variables. The package was used to construct frequency tables which were then used to test relationships of variables using the Pearson product-moment correlation (r).

3.8.1 Data Analysis Techniques

The study is quantitative in nature hence the researcher used SPSS 16.0 software to analyse results. Tables were easy to understand and interpret. Data presentation takes the form of tables and graphs analysed through statistical tools to come up with the research findings and conclusions. The data will be analysed using the Pearson correlation coefficient (r) which measures the strength of a linear association or relationship between two variables.

3.9 Chapter Summary

The chapter presented details of research methodology, research design and research instruments that were used by the researcher. The researcher used descriptive research design target population of 56 and a sample size of 46. Primary and secondary data sources were used in coming up with data needed for the accomplishment of objectives of this research

data collection instruments and questionnaires were used as data collection tools taking into account both open structured and closed structured. The next chapter will focus on data presentation, analysis and discussion of findings.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 INTRODUCTION

This chapter aims to present, analyse and interpret research findings on the effects of intervention Strategies that can be utilised to enhance CBZ bank Loan book performance. The analysis of data was done based on the research objectives using descriptive statistics presented in the form of statistical tables. The Statistical package for Social Sciences (SPSS) was used to compute the mean standard deviations and correlations of the variables. The researcher first presented the data from the section B of the questionnaire that is the response rate and demographic, the second data to be presented was the data obtained from section A of the questionnaire which is the information that was linking the variables under study.

4.1 DATA PRESENTATION AND ANALYSIS

4.1.1 Response rate

A total of 40 responses out of the 46 questionnaires sent out were received, achieving an acceptable response rate of 81%. All the questionnaires were edited and checked for completeness and used in the data analysis. Response rate is broadly defined as the percentage of the total attempted interviews that are completed Malhotra 2016. According to Mugenda and Mugenda (2009), a response rate of 60% is good, and above 70% is perfect. Since the response rate was 81%, it was considered for this study.

Number of Completed Interviews

Response Rate = _____

Number of Eligible Units in Sample

Table 4.1: Response rate

Sample	Frequency	Percentage
46	40	81%

Source: PrimaryData

4.1.2 Highest level of education

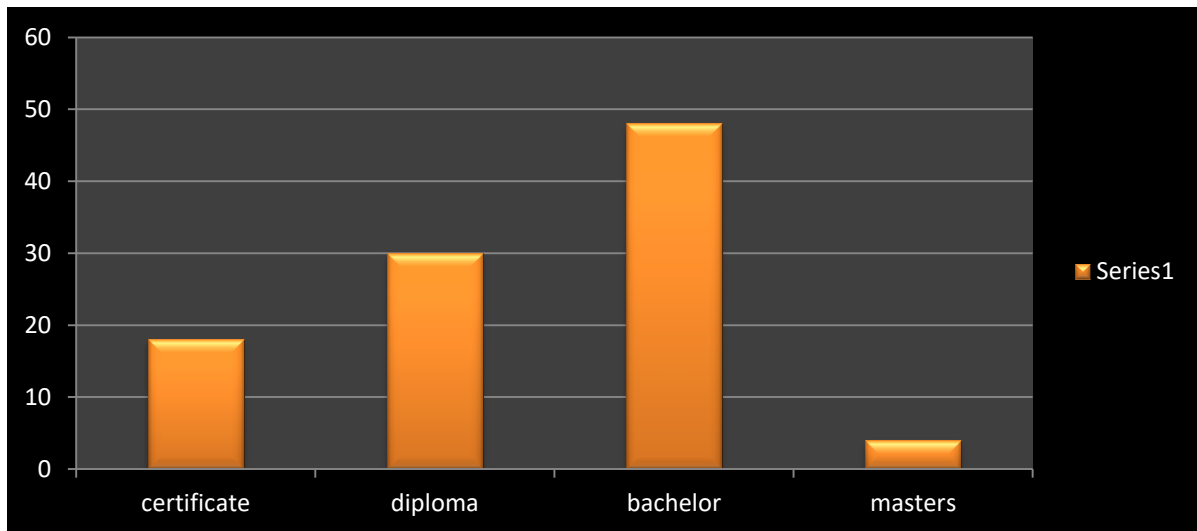


Fig 4.1: Level of Education
Source: PrimaryData

This section sought to determine the respondents' level of education. The researcher also requested the respondents to indicate their highest level of the academic qualification. This was to ascertain if they were well equipped with the necessary knowledge and skills in their respective areas of specialization. Figure 4.2 presents the level of education of the respondents who returned the questionnaires 18% of them holds certificates whilst 30% are diploma holders, bachelor degree holders constitute the highest percentage of respondents with 48% and those with master's degree have the smallest percentage of respondents. That is say that the industry under study is composed of educated people and this is an advantage to the researcher since the results will be reliable since the responses will be coming from technocrats

4.1.3 Work Experience

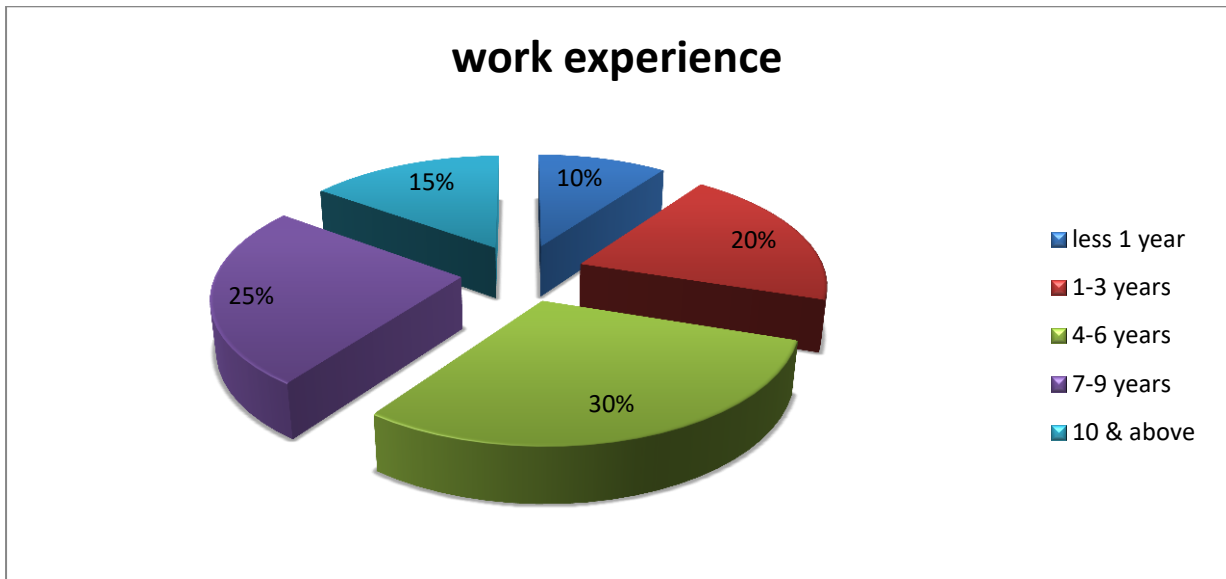


Fig 4.2: WorkExperience
Source :Primary Data

The questionnaire had part were the respondents would indicate their work experience that is to say the number of years they have stayed in the organizations. 10% of the respondents indicated that they have been working for CBZ for less than one year. those who have stayed with the organization for a period not more than 3 years amounts to 15% of the total respondents who returned the questionnaire. the respondents who had stayed for 6 years are the biggest percentage of respondents with 30% and followed by 25% of the respondents who have been with the organizations for 9 years whilst those who are 10 years and above constitute 15% of the total respondents who returned error free questionnaires. the statistics on the working experience of the respondents indicate that the majority of the respondents have stayed with the organization long enough to know about how the organization operates hence that is an advantage to the researcher since the respondents will give adequate information on the problem understudy.

4.2 DESCRIPTIVE STATISTICS FINDINGS

4.2.1 The implementation of credit management techniques by CBZ

Table 4.2 The implementation of credit management techniques by CBZ

	Mean	Std. Deviation	N
Credit terms	4.16	.497	40
Capacity	4.05	.402	40
Capital	3.56	.412	40
Collateral	3.56	.412	40
Character	3.56	.412	40
Conditions	3.56	.412	40
Collection policy	4.76	.545	40
Credit risk control	4.06	.593	40

Source: Primary Data

The first part in section B was asking the loans department employees of CBZ whether the bank has adopted various credit management techniques to enhance CBZ bank loan book performance and of the respondents that completed the questionnaire obtained a mean and standard deviation of (M=4.16, SD=0.497). The obtained mean on the likert scale signal those who agreed that CBZ has adopted credit terms on its management techniques hence that is to say most of the respondents indeed agreed with the notion that CBZ has credit terms and the low standard deviation is also in support of the obtained mean on credit terms. Capacity as an element in the 5Cs of client appraisal was also questioned on whether the bank has adopted it among its credit management techniques and it was discovered that most of the respondents were in agreement with the researcher that indeed CBZ has adopted the element of capacity this came to light with the obtained mean and standard deviation of (M=4.05, SD=.402) the standard deviation is low enough to support the obtained mean. The researcher obtained the same mean and standard deviation of (M=3.56, SD=0.412) on capital, collateral, character and conditions of the 5Cs of client appraisal and round of the obtained mean becomes 4 and on the likert scale 4 represents those who agreed with the researcher and the standard deviation is low enough to support the obtained mean. collection policy is another credit management technique that has been implemented by the bank this was noted by the mean and standard deviation that was obtained by the researcher of (M=4.76, SD=0.545)

hence that is to say most of the respondents agreed that indeed CBZ has implemented collection policy and the standard deviation is low enough to support the obtained mean. credit risks controls were among the elements of credit management that were implemented by CBZ to enhance loan performance within the organization and most of the respondents indeed agreed with the researcher this came to light with the obtained mean and standard deviation.

4.2.2 The Effects of Credit Terms on CBZ'S Loan Book Performance

Table 4.3 Descriptive Statistics on Credit Terms And Loan Book Performance

Credit Terms And Loan Book Performance	Mean	Std. Deviation	N
Credit terms has a positive relationship with loan book performance at CBZ	4.16	.497	40
Credit terms at CBZ has managed to influence the number of clients with the organization	3.56	.415	40
Credit terms within CBZ has managed to reduce loan defaulters	3.89	.467	40
Credit terms at CBZ has a positive impact on the organization's profits	4.51	.880	40

Source :Primary Data

Table 4.3 above presents descriptive statistics findings on credit terms and loan book performance at CBZ. the researcher passed a notion that credit terms has a positive relationship with loan book performance at CBZ and the respondents who completed the questionnaire obtained a mean and standard deviation of (M=4.16, SD=0.497) if we scale the obtained mean on the likert scale will signal those who agreed with the passed notion by the researcher, the obtained mean is was then supported by the low standard deviation that was obtained. the respondents who agreed that credit terms has a positive relationship with loan book performance concurs with the reviewed literature .Moti et al (2012) are of the view that the interest rates offered by the bank influences the performance of loans hence it is of paramount importance for banking institutions to carefully determine the interest rates of the products they offer so as to attract clients to apply for the loan. high interest rates affects the

market of the bank products thereby affecting the loans performance therefore there is need for the banking institutions to come up with attractive percentages on interest rates so as to boost the market of loans within the banking sector.

The respondents who completed and returned the questionnaire on the notion that Credit terms at CBZ has managed to influence the number of clients with the organization obtained a mean and standard deviation of (M=3.56, SD=0.415). The obtained mean show that most of the respondents agreed with the passed notion and the passed notion was then supported by the low standard deviation that was obtained. the descriptive statistics also concurs with the reviewed literature for example Gatuhu (2011) conducted a study on the effect of credit management on the financial performance of microfinance institutions in Kenya and the study revealed that MFIs' credit terms has positively influenced the number of clients who apply for loans within the institution. on the same note of increasing the number of clients the researcher also tested the statement that Credit terms within CBZ has managed to reduce loan defaulters and obtained a mean and standard deviation of (M=3.89, SD=0.467) that is to say most of the respondents are in agreement with the notion that Credit terms within CBZ has managed to reduce loan defaulters. The researcher finally tested the notion that Credit terms at CBZ has a positive impact on the organization's profits and found that most of the respondents agreed with the researcher as noted by the mean and standard deviation of (M=4.51, SD=0.880) hence on the liker scale the mean presents those who strongly agreed with the passed notion.

4.2.3 Client Appraisal and Loan book Performance

Table 4.4 Descriptive Statistics on Client Appraisal and Loan book Performance

Client Appraisal And Loan book Performance	Mean	Std. Deviation	N
client appraisal has a positive relationship with loan book performance at CBZ	4.39	.569	40
client appraisal at CBZ has managed to influence the number of clients with the organization	4.81	.805	40
client appraisal within CBZ has managed to reduce loan defaulters	4.01	.498	40

Source :Primary Data

The table 4.4 above presents descriptive statistics on client appraisal and loan book performance within CBZ. The researcher tested the notion that client appraisal has a positive relationship with loan book performance and obtained a mean and standard deviation of (M=4.39, SD=0.569), scaling the obtained mean on the likert scale represents those who were in agreement with the passed notion. The obtained mean was then supported by the low standard deviation that was obtained the descriptive statistics on this notion was then strengthened by the reviewed literature. Chilukuri (2014) is of the view that client appraisal is where the financial institution assesses the customer's ability to meet his obligations. Basing on the view of (Chilukuri, 2014) it shows that the process of client appraisal within the banking institution will have a positive impact on the organization's loan performance. Forgy et al (2005) are also in concurrence with the (Chilukuri, 2014) and the descriptive statistics That indeed client appraisal has a positive relationship with loan book performance at CBZ. the researcher went on to test the notion that client appraisal at CBZ has managed to influence the number of clients with the organization and obtained a mean and standard deviation of (M=4.81, SD=0.805) and the obtained mean show that most of the respondents strongly agreed with the passed notion by the researcher, the obtained was heavily supported by the low standard deviation that was obtained by the researcher. The descriptive statistics findings were then supported by the reviewed literature Forgy et al (2005) also consider the element of Capital as an important element when awarding loans to the applicants and by considering that element increases the number of clients applying for loans within the banking institutions. The final element that was tested by the researcher was the statement that client appraisal within CBZ has managed to reduce loan defaulters and it was noted that most of the respondents were in agreement with the passed notion as the researcher obtained a mean and standard deviation of (M=4.01, SD=0.498)

4.2.4 Credit Risk controls And Loan Book Performance

Table 4.5: Descriptive Statistics on Credit Risks And Loan Book Performance

Credit Risks And Loan Book Performance	Mean	Std. Deviation	N
credit risks controls has a positive relationship with loan book performance at CBZ	4.76	.773	40
credit risks controls at CBZ has managed to influence loan book performance	4.39	.569	40
credit risks controls within CBZ has managed to reduce loan defaulters	4.77	.770	40

Source: Primary Data

Table 4.5 above presents descriptive statistics on credit risks and loan book performance and the researcher tested the statement that credit risks controls has a positive relationship with loan book performance at CBZ and obtained a mean and standard deviation of (M=4.76, SD=0.773) that is say to say most of the respondents indeed strongly agreed with the statement that credit risks controls has a positive relationship with loan book performance at CBZ this was noted by a high mean which on the likert scale represents those who strongly agreed with the passed notion and the small number value of standard deviation that was obtained is in support with the obtained mean. the obtained descriptive statistics findings concurs with the review literature (Kariuki, 2010) for organizations in the banking sector will enhance the performance of loans they have to strictly consider the element of collection policies. the descriptive statistics also show that credit risks controls at CBZ has managed to influence loan book performance this was signaled by the obtained mean and standard deviation of (M=4.39, SD=0.569), scaling the obtained mean on the likert scale represents those who agreed with the passed notion. lastly on credit risks controls the researcher tested the notion that credit risks controls within CBZ has managed to reduce loan defaulters and obtained a mean and standard deviation of (M=4.77, SD=0.770), the obtained descriptive statistics show that most of the respondents strongly agreed with the passed notion and the obtained standard deviation support the obtained means since it was a low value and these findings were then supported by the reviewed literature. Churchill and Coster (2001)

proposed that banking institutions that offer loans can mitigate a significant portion of default risk by designing loan products that meet client needs.

4.3 Pearson correlations of the variables

The Pearson correlation coefficient also referred to as the Pearson's r , Pearson product-moment correlation coefficient or bivariate correlation, is a measure of the linear correlation between two variables X and Y . It has a value between $+1$ and -1 , where 1 is total positive linear correlation, 0 is no linear correlation, and -1 is total negative linear correlation. It is widely used in the sciences. It was developed by Karl Pearson from a related idea introduced by Francis Galton in the 1880s.

4.3.1 Rule of thumb about the strength of correlation coefficients

Table 4.6 Rule of thumb on strength of correlation coefficients

Range of coefficient	Description of strength
+/- ,81 to +/- 1.00	Very strong
+/- .61 to +/- ,80	Strong
+/- ,41 to +/- ,60	Moderate
+/- ,21 to +/- ,40	Weak
+/- ,00 to +/- ,20	Weak or No Relationship

The table 4.6 above shows the rule of thumb coefficient' strength and weak range as proposed by Hair et al, (2009: 308). These ratings will be used in describing the relationship between variables and hypothesis proposed in chapter one and two of this study, showing the extent to which one variable is related to another.

4.3.2 Credit terms and loan book performance at CBZ

Table 4.7			
		Loan book performance	Credit terms
Loan book performance	Pearson Correlation	1	-0.68
	Sig. (2-tailed)		.567
	N	40	40
Credit terms	Pearson Correlation	-0.68	1
	Sig. (2-tailed)	.567	
	N	40	40

Source: Primary Data

The table 4.7 above present the Pearson correlations generated from the SPSS on the notion that Credit terms has a positive relationship with loan book performance at CBZ. The researcher obtained a Pearson coefficient r value of -0.68 and from the rule of thumb coefficient' strength and weak range as proposed by Hair et al, (2009: 308) it shows that there is a strong relationship between credit terms and loan book performance at CBZ. The pearson correlation coefficient value on credit terms and loan book performance concurs with the descriptive statistics and the reviewed literature .Moti et al (2012) are of the view that the interest rates offered by the bank influences the performance of loans hence it is of paramount importance for banking institutions to carefully determine the interest rates of the products they offer so as to attract clients to apply for the loan. high interest rates affects the market of the bank products thereby affecting the loans performance therefore there is need for the banking institutions to come up with attractive percentages on interest rates so as to boost the market of loans within the banking sector. However, the Sig. (2-Tailed) value of 0.567 is greater than 0.05, depicting a less statistical significant correlation between credit terms and loan book performance within CBZ.

4.3.3 Client appraisal and loan book performance

		Client Appraisal	Loan Book Performance
Client Appraisal	Pearson Correlation	1	-0.79
	Sig. (2-tailed)		.003
	N	40	40
Loan Book Performance	Pearson Correlation	-0.79	1
	Sig. (2-tailed)	.003	
	N	40	40

Source: Primary Data

The above table 4.8 presents the pearson correlation on client appraisal and loan book performance and the obtained coefficient value of -0.79 depict a strong relationship between client appraisal and loan book performance at CBZ. the Sig. (2-Tailed) value of 0.003 is less than 0.05, depicting a statistically significant correlation between client appraisal and loan book performance within CBZ. The obtained pearson coefficient value and the Sig. (2-Tailed) value of 0.003 are in concurrence with the reviewed literature and the descriptive statistics findings for example Chilukuri (2014) is of the view that client appraisal is where the financial institution assesses the customer's ability to meet his obligations. Basing on the view of (Chilukuri, 2014) it shows that the process of client appraisal within the banking institution will have a positive impact on the organization's loan performance. Forgy et al (2005) are also in concurrence with the (Chilukuri ,2014) and the descriptive statistics that indeed client appraisal has a positive relationship with loan book performance at CBZ.

4.3.4 Credit Risks Controls And Loan Book Performance

		Credit risk controls	Loan book performance
Credit risk controls	Pearson Correlation	1	-0.66
	Sig. (2-tailed)		.575
	N	40	40
Loan book performance	Pearson Correlation	-0.66	1
	Sig. (2-tailed)	.575	
	N	40	40

Source: Primary Data

After running the coded data in the SPSS the researcher presented the findings in the table 4.9 above. The table 4.9 signal a strong relationship between credit risks controls and loan book performance this is noted by the pearson correlation coefficient value of 0.66 a value that is supported by the rule of thumb coefficient' strength and weak range as proposed by Hair et al, (2009: 308) as a strong relationship between variables understudy. The research findings obtained are supported by various scholars such as literature (Kariuki, 2010) for organizations in the banking sector will enhance the performance of loans they have to strictly consider the element of collection policies. Churchill and Coster (2001) proposed that banking institutions that offer loans can mitigate a significant portion of default risk by designing loan products that meet client needs. However, the Sig. (2-Tailed) value of 0.575 is greater than 0.05, depicting a less statistically significant correlation between credit risks controls and loan book performance within CBZ.

4.4 THE MODEL SUMMARY OF THE STUDY

Table 4.10 model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.431 ^a	0.1857	.791	.388

Source: Primary Data

The table 4.10 above presents the model summary of intervention strategies to enhance loan book performance and loan book performance within CBZ and the summary indicates an R value of 0.431a value which supports the findings of the correlations between summary between of intervention strategies to enhance loan book performance and loan book performance which has a strong relationship, the R value also indicates a strong degree of correlations between the variables understudy. The R squared of 0.18 was obtained and it explains that 43% change in loan book performance due to the introduction of intervention strategies within CBZ.

4.5 CHAPTER SUMMARY

The chapter was a presentation of the data collected in the research field; analyses were carried out using descriptive statistics and correlations of variables. Data obtained from the findings was analysed. The researcher made use of tables to present the findings therefore made interpretation simpler and understandable. The next chapter will give summary, conclusions and recommendations to the study will be highlighted.

CHAPTER V

SUMMARY OF MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 INTRODUCTION

This chapter focuses on summarizing the research study and the findings made, also giving conclusions based on the findings from the previous chapter. Recommendations and limitations of the research are also included. A highlight on the focus for future research areas has also been made a part of the chapter.

5.1 SUMMARY OF MAJOR FINDINGS

5.1.1 The Effects of Credit Terms on CBZ'S Loan Book Performance

Most of the respondents agreed with the notion that credit terms has a positive relationship with loan book performance at CBZ this was noted by the respondents who completed the questionnaire, the respondents obtained a mean and standard deviation of (M=4.16, SD=0.497). The descriptive statistics on credit terms and loan book performance concurs with the pearson's correlation coefficient values obtained that there is a positive relationship. The researcher obtained a Pearson coefficient r value of -0.68 and from the rule of thumb coefficient' strength and weak range as proposed by Hair et al, (2009: 308) it shows that there is a strong relationship between credit terms and loan book performance at CBZ. the respondents who completed and returned the questionnaire on the notion that Credit terms at CBZ has managed to influence the number of clients with the organization obtained a mean and standard deviation of (M=3.56, SD=0.415). The obtained mean show that most of the respondents agreed with the passed notion and the passed notion was then supported by the low standard deviation that was obtained. The researcher also tested the statement that Credit terms within CBZ has managed to reduce loan defaulters and obtained a mean and standard deviation of (M=3.89, SD=0.467) that is to say most of the respondents are in agreement with the notion that Credit terms within CBZ has managed to reduce loan defaulters.

5.1.2 The Relationship between Client Appraisal and Loan Book Performance

The researcher tested the notion that client appraisal has a positive relationship with loan book performance and obtained a mean and standard deviation of (M=4.39, SD=0.569) hence that is to say most of the respondents indeed agreed with the researcher that there is a positive

relationship between client appraisal and loan book performance at CBZ. The Pearson correlation coefficient value that was obtained was in support of the descriptive statistics findings. The researcher tested the Pearson correlation on client appraisal and loan book performance at CBZ and the obtained coefficient value of -0.79 depicts a strong relationship between client appraisal and loan book performance at CBZ. The Sig. (2-Tailed) value of 0.003 is less than 0.05, depicting a statistically significant correlation between client appraisal and loan book performance within CBZ. The researcher tested the notion that client appraisal at CBZ has managed to influence the number of clients with the organization and obtained a mean and standard deviation of (M=4.81, SD=0.805) and the obtained mean shows that most of the respondents strongly agreed with the passed notion by the researcher. Client appraisal within CBZ has managed to reduce loan defaulters and it was noted that most of the respondents were in agreement with the passed notion as the researcher obtained a mean and standard deviation of (M=4.01, SD=0.498)

5.1.3 The Effects of Credit Risk controls and Loan Book Performance

The researcher tested the statement that credit risk controls has a positive relationship with loan book performance at CBZ and obtained a mean and standard deviation of (M=4.76, SD=0.773) that is to say most of the respondents indeed strongly agreed with the statement that credit risk controls has a positive relationship with loan book performance at CBZ. By the Pearson correlation coefficient value of 0.66 was obtained on the relationship between credit risk control and loan book performance and the obtained Pearson correlation value depicts a strong relationship between the two variables. The researcher tested the notion that credit risk controls within CBZ has managed to reduce loan defaulters and obtained a mean and standard deviation of (M=4.77, SD=0.770), the obtained descriptive statistics show that most of the respondents strongly agreed with the passed notion.

5.2 CONCLUSION

5.2.1 The Effects of Credit Terms on CBZ'S Loan Book Performance

The study tested the effects of credit terms on CBZ's loan book performance and found out that most of the respondents agreed that indeed there is a positive relationship between credit terms and loan book performance. Also the Pearson correlation coefficient value obtained concurs with the descriptive statistics that there is a positive relationship between credit terms and loan book performance. Basing on the research findings on credit terms and loan book

performance and the reviewed literature the researcher concludes that indeed there is a positive relationship between credit terms and loan book performance at CBZ.

5.2.2 The Relationship between Client Appraisal and Loan Book Performance

The relationship between client appraisal and loan book performance was tested and the researcher found out that most of the respondents agreed that there is a positive relationship between client appraisal and loan book performance such descriptive statistics findings concurs with pearson correlation coefficient value obtained on client appraisal and loan book performance that there is a positive relationship. Hence basing on the descriptive statistics, the pearson correlation coefficient findings and the reviewed literature the researcher concludes that indeed there is a positive relationship between client appraisal and loan book performance at CBZ.

5.2.3 The Effects of Credit Risks on Loan Book Performance

The effects of credit risk controls on loan book performance at CBZ were then tested and it was noted that most of the respondents agreed that credit risk controls have positive effects on loan book performance. The descriptive statistics findings are also in support of the person correlation coefficient value obtained on the relationship between credit risk control and loan book performance at CBZ. The researcher then concludes basing on descriptive statistics and pearson correlation coefficient findings and the reviewed literature that indeed credit risk controls have positive effects on loan book performance at CBZ.

5.3 Recommendations

5.3.1 The Effects of Credit Terms on Loan Book Performance

- The banks should set up credit terms according to the type of loans. For instance there are loans that require a grace period like those for agriculture and for capital expenditure. The repayments should start on the harvesting time of the crop. The grace period will avert defaults.
- Consumptive loans also should have repayments that start at the onset of the loan because of their nature. This will enable the banks to ensure that the granting of the loan was to a credible applicant. If they are granted a grace period the applicant may leave employment without the bank noticing it.

- The guarantors should also have credible sources of income like asalary. Having guarantors for instance in microfinance for people subscribing from the same sectors increases the rates of default. If the particular sector fails there will be no fallback position. Hence having a guarantor who is salaried and also from the

5.3.2 The Relationship between Client Appraisal and Loan Book Performance

- Banks should allocate more time to appraising the customers. Only customers with physically inspected collateral should be granted loans and additionally individuals should be guaranteed by their employer and not relatives.
- Client appraisals should be done by well trained personnel to avoid biases related to lack of knowledge as poor appraisals contribute to high rates of loan defaults.

5.3.3 The Effects of Credit Risk controls on Loan Book Performance

- Efficient use of the credit registry that have been made possible by the Reserve bank of Zimbabwe. The credit registry has information concerning to current loan exposure for each company or individual. Using the credit registry enables the banks to on lend to credible borrowers who are not over borrowed.
- Subscribing to syndicated facilities in case of large loans .This will spread risk but at the same time benefiting if the loan repayments are met.
- On security the bank should thrive to be the first bond holder because in terms of disposal of the asset they will be able to recover the money before the other bond holders come in increasing the chances of recovery
- The guarantors should also have credible sources of income like a salary. Having guarantors for instance in microfinance for people subscribing from the same sectors increases the rates of default. If the particular sector fails there will be no fallback position. Hence having a guarantor who is salaried and also from a different sector averts a situation of total loss.
- There should be adequate provisioning for loans that have signs of getting bad to avoid liquidity challenges
- Loans should be insured at all times with other institutions
- There should proper monitoring of loans through control reports. The reports such as the status and strategy reports for loans which are past 90 days should be done and

submitted to recoveries and collections department after the loans are past due .The chances of recovery will be high than acting after 2years

- There should be continuous assessment of security pledged for loans granted especially on the client borrowing for the second time to avoid situations of granting a loan without factoring in issues like depreciation .The asset will not have the same values as when a loan was previously granted. Ongoing assessment guards against losses relating to over valuation of assets in case the client defaults. The recovery efforts will be fruitful if asset was properly valued since it will be sufficient to cover the amount and interest.

5.4 Areas for further study

The research study was centred on intervention strategies that enhance loan book performance at CBZ and found out that the intervention strategies have positive effects on loan book performance. However the researcher suggest that future researcher on loan book performance narrow down this study to find the effects of client appraisal on loan book performance within the banking sector in Zimbabwe. The researcher also suggests that future researcher examine the effects of the nation's economic conditions on loan book performance of banking institutions in Zimbabwe.

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APPENDICES

Appendix 1

MIDLANDS STATE UNIVERSITY



Midlands State University
Faculty of Commerce
Department of Business Management
P. Bag 9055
Senga, Gweru,
Zimbabwe

20 March 2018

Dear Sir/Madam

My name is R155152Q a student at the Midlands State University. I have developed this questionnaire to solicit information for a research study in partial fulfilment for the award of a Bachelor of Commerce Business Management Honours degree. Kindly request for your participation in this research study on the topic “**INTERVENTION STRATEGIES THAT CAN BE UTILISED TO ENHANCE CBZ BANK LOAN BOOK PERFORMANCE**”

This information will be kept in strictest confidence and put to academic use only.

I look forward to your favourable response.

Yours Faithfully

R155152Q

Contact details: **Cellphonenumber**; +263773540471

QUESTIONNAIRE FOR OPERATIONS MANAGERS

My name is (R155152Q) studying Bachelor of Commerce Business Management honours degree at Midlands State University. I am conducting a research on Intervention Strategies that can be utilised to Enhance CBZ Loan Book Performance. It will take only 10 minutes of your time to complete the questionnaire. Your response is of utmost importance to me, thank you.

Please tick or mark appropriately.

PART (A) GENERAL INFORMATION

1. State your gender

Male	Female
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2. State your age group

18-25	26-35	36-50	51-65	>65

3. State your highest academic qualifications

GCE 'O' Level	GCE 'A' Level	Undergraduate degree	Postgraduate degree	Other

Other specify.....

4. State your years of experience

Less than 1 Year	1-3 years	4-6years	7-9years	More than 10years

5. Your bank is effectively implementing all the techniques below to improve loan performance. What's your opinion? 5=strongly agree, 4=Agree, 3=Not sure, 2=Disagree, 1=strongly disagree.

Technique	1	2	3	4	5
1.1. Credit terms					

1.2. Client appraisal :	1.2.1 Capacity					
	1.2.2 Capital					
	1.2.3 Collateral					
	1.2.4 Character					
	1.2.5 Conditions					
1.3 Credit risk control						
1.4 Collection policy						

6. Use the key below to respond to questions that follow

1	2	3	4	5
Strongly disagree	Disagree	Neutral	agree	Strongly agree

7. Credit terms and Loan Performance

Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Credit terms has a positive relationship with loan performance at CBZ					
Credit terms at CBZ has managed to influence the number of clients with the organization					
Credit terms within CBZ has managed to reduce loan defaulters					
Credit terms at CBZ has a positive impact on the organization's profits					

8. Client appraisal and loan performance

QUESTION	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
client appraisal has a positive					

relationship with loan performance at CBZ					
client appraisal at CBZ has managed to influence the number of clients with the organization					
client appraisal within CBZ has managed to reduce loan defaulters					

9.Credit Risk controls and Loan Performance

credit risks controls	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
credit risks controls has a positive relationship with loan performance at CBZ					
credit risks controls at CBZ has managed to influence loan performance					
credit risks controls within CBZ has managed to reduce loan defaulters					

10.Loan Size and Loan performance

Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Loan size has a positive relationship with loan performance at CBZ					
Loan size at CBZ has managed to influence the number of clients with the organization					
Loan size within CBZ has managed to reduce loan defaulters					

If your answer in 1.1 was Strongly agree or Agree, how have credit terms enhanced loan performance?

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Which credit risk control methods does your bank use?

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If your answer in **1.3** was Strongly agree or Agree, how have the credit risk control methods enhanced loan performance in your bank?

If your answer in **1.3** was strongly disagree or Disagree, how do you think the credit risk control methods should be altered to enhance loan performance?

If your answer in **1.4** was Strongly agree or Agree, how has the collection policy enhanced loan performance in your bank?

If your answer in **1.4** was Strongly disagree or Disagree, how do you think the collection policy should be altered to enhance loan performance?

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Appendix 3

Interview Guide for Operations Managers

1. What are the strategies that best enhance loan book performance in CBZ bank?
2. How do credit terms adopted influence loan book performance?
3. How have the credit terms adopted managed to reduce the number of defaulters?
4. How does the client appraisal model influence loan performance?
5. What has been relationship between credit risks controls and loan book performance?
6. What has been the impact of credit risk controls on the loan default rate?
7. How does credit risk controls influence the loan book performance?
8. How does loan size disbursed affect loanperformance?
9. How does the credit collection policy influence loan performance?

Appendix 4

QUESTIONNAIRE FOR RETAIL MANAGERS

My name is (R155152Q) studying Bachelor of Commerce Business Management honours degree at Midlands State University. I am conducting a research on Intervention Strategies that can be utilised to Enhance CBZ Loan Book Performance. It will take only 10 minutes of your time to complete the questionnaire. Your response is of utmost importance to me, thank you.

Please tick or mark appropriately.

PART (A) GENERAL INFORMATION

5. State your gender

Male	Female
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6. State your age group

18-25	26-35	36-50	51-65	>65

7. State your highest academic qualifications

GCE 'O' Level	GCE 'A' Level	Undergraduate degree	Postgraduate degree	Other

Other specify.....

8. State your years of experience

Less than 1 Year	1-3 years	4-6years	7-9years	More than 10years

5. Your bank is effectively implementing all the techniques below to improve loan performance. What's your opinion? 5=strongly agree, 4=Agree, 3=Not sure, 2=Disagree, 1=strongly disagree.

Technique	1	2	3	4	5
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1.1. Credit terms						
1.2. Client appraisal :	1.2.1 Capacity					
	1.2.2 Capital					
	1.2.3 Collateral					
	1.2.4 Character					
	1.2.5 Conditions					
1.3 Credit risk control						
1.4 Collection policy						

6. Use the key below to respond to questions that follow

1	2	3	4	5
Strongly disagree	Disagree	Neutral	agree	Strongly agree

7. Credit terms and Loan Performance

Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Credit terms has a positive relationship with loan performance at CBZ					
Credit terms at CBZ has managed to influence the number of clients with the organization					
Credit terms within CBZ has managed to reduce loan defaulters					
Credit terms at CBZ has a positive impact on the organization's profits					

8. Client appraisal and loan performance

QUESTION	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

client appraisal has a positive relationship with loan performance at CBZ					
client appraisal at CBZ has managed to influence the number of clients with the organization					
client appraisal within CBZ has managed to reduce loan defaulters					

9.Credit Risk controls and Loan Performance

credit risks controls	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
credit risks controls has a positive relationship with loan performance at CBZ					
credit risks controls at CBZ has managed to influence loan performance					
credit risks controls within CBZ has managed to reduce loan defaulters					

10.Loan Size and Loan performance

Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Loan size has a positive relationship with loan performance at CBZ					
Loan size at CBZ has managed to influence the number of clients with the organization					
Loan size within CBZ has managed to reduce loan defaulters					

If your answer in 1.1 was Strongly agree or Agree, how have credit terms enhanced loan performance?

If your answer in **1.1** was Strongly disagree or Disagree, how do you think credit terms should be altered to enhance loan performance?

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If your answer in **1.2** was Strongly agree or Agree, how has the 5Cs enhanced loan performance in your bank?

If your answer in **1.2** was Strongly disagree or Disagree, how do you think the 5Cs should be altered to enhance loan performance?

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Which credit risk control methods does your bank use?

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If your answer in **1.3** was Strongly agree or Agree, how have the credit risk control methods enhanced loan performance in your bank?

If your answer in **1.3** was strongly disagree or Disagree, how do you think the credit risk control methods should be altered to enhance loan performance?

If your answer in **1.4** was Strongly agree or Agree, how has the collection policy enhanced loan performance in your bank?

If your answer in 1.4 was Strongly disagree or Disagree, how do you think the collection policy should be altered to enhance loan performance?

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Appendix 5

Interview Guide for Retail Managers

1. What are the strategies that best enhance loan book performance in CBZ bank?
2. How do credit terms adopted influence loan book performance?
3. How have the credit terms adopted managed to reduce the number of defaulters?
4. How does the client appraisal model influence loan performance?
5. What has been relationship between credit risks controls and loan book performance?
6. What has been the impact of credit risk controls on the loan default rate?
7. How does credit risk controls influence the loan book performance?
8. How does loan size disbursed affect loan performance?
9. How does the credit collection policy influence loan performance?

Appendix 6

QUESTIONNAIRE FOR LOAN OFFICERS

My name is (R155152Q) studying Bachelor of Commerce Business Management honours degree at Midlands State University. I am conducting a research on Intervention Strategies that can be utilised to Enhance CBZ Loan Book Performance. It will take only 10 minutes of your time to complete the questionnaire. Your response is of utmost importance to me, thank you.

Please tick or mark appropriately.

PART (A) GENERAL INFORMATION

9. State your gender

Male	Female
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10. State your age group

18-25	26-35	36-50	51-65	>65

11. State your highest academic qualifications

GCE 'O' Level	GCE 'A' Level	Undergraduate degree	Postgraduate degree	Other

Other specify.....

12. State your years of experience

Less than 1 Year	1-3 years	4-6years	7-9years	More than 10years

5. Your bank is effectively implementing all the techniques below to improve loan performance. What's your opinion? 5=strongly agree, 4=Agree, 3=Not sure, 2=Disagree, 1=strongly disagree.

Technique	1	2	3	4	5
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1.1. Credit terms						
1.2. Client appraisal :	1.2.1 Capacity					
	1.2.2 Capital					
	1.2.3 Collateral					
	1.2.4 Character					
	1.2.5 Conditions					
1.3 Credit risk control						
1.4 Collection policy						

6. Use the key below to respond to questions that follow

1	2	3	4	5
Strongly disagree	Disagree	Neutral	agree	Strongly agree

7. Credit terms and Loan Performance

Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Credit terms has a positive relationship with loan performance at CBZ					
Credit terms at CBZ has managed to influence the number of clients with the organization					
Credit terms within CBZ has managed to reduce loan defaulters					
Credit terms at CBZ has a positive impact on the organization's profits					

8. Client appraisal and loan performance

QUESTION	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

client appraisal has a positive relationship with loan performance at CBZ					
client appraisal at CBZ has managed to influence the number of clients with the organization					
client appraisal within CBZ has managed to reduce loan defaulters					

9.Credit Risk controls and Loan Performance

credit risks controls	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
credit risks controls has a positive relationship with loan performance at CBZ					
credit risks controls at CBZ has managed to influence loan performance					
credit risks controls within CBZ has managed to reduce loan defaulters					

10.Loan Size and Loan performance

Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Loan size has a positive relationship with loan performance at CBZ					
Loan size at CBZ has managed to influence the number of clients with the organization					
Loan size within CBZ has managed to reduce loan defaulters					

If your answer in 1.1 was Strongly agree or Agree, how have credit terms enhanced loan performance?

If your answer in **1.1** was Strongly disagree or Disagree, how do you think credit terms should be altered to enhance loan performance?

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If your answer in **1.2** was Strongly agree or Agree, how has the 5Cs enhanced loan performance in your bank?

If your answer in **1.2** was Strongly disagree or Disagree, how do you think the 5Cs should be altered to enhance loan performance?

Which credit risk control methods does your bank use?

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If your answer in **1.3** was Strongly agree or Agree, how have the credit risk control methods enhanced loan performance in your bank?

If your answer in **1.3** was strongly disagree or Disagree, how do you think the credit risk control methods should be altered to enhance loan performance?

If your answer in **1.4** was Strongly agree or Agree, how has the collection policy enhanced loan performance in your bank?

If your answer in **1.4** was Strongly disagree or Disagree, how do you think the collection policy should be altered to enhance loan performance?

Appendix7

Interview Guide for Loan officers

1. What are the strategies that best enhance loan book performance in CBZ bank?
2. How does the credit terms adopted influence loan book performance?
3. How have the credit terms adopted managed to reduce the number of defaulters?
4. How does the client appraisal model influence loan performance?
5. What has been relationship between credit risks controls and loan book performance?
6. What has been the impact of credit risk controls on the loan default rate?
7. How does credit risk controls influence the loan book performance?
8. How does loan size disbursed affect loan performance?
9. How does the credit collection policy influence loan performance?

