EFFECT OF CREDIT RISK MANAGEMENT ON THE FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA: A CASE STUDY OF KENYA COMMERCIAL BANK

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DECLARATION AND RECOMMENDATION

DECLARATION

I hereby declare that this project is my original work and that it has not been presented for an award of a degree in any other university.

Sign…………………………….. Date: ……………………………..

MUNENE DERRICK KURIA

BBM/147/15/16

RECOMMENDATION

This project has been submitted for examination with my recommendation as the university supervisor.

Supervisor

Sign: …………………………………. Date: …………………………………

SR. VIVYANNE OMIRA (SABS)

This research project has been accepted by the Head of Department of Business

Signature: ……………………………….. Date: ………………………………

MR. WANYANGU ELIAB OMONDI

DEDICATION

I dedicate this work to my family and friends. A special gratitude to my mother Munene Esther Wanjiku and all my family members. May God continue to bless you in all your endeavors.

ACKNOWLEDGEMENTS

My sincere gratitude goes first to the almighty God for the gift of life and the many blessings bestowed on me in the course of my studies.

I am most indebted to my supervisor Sr. Vivyanne for her suggestions, support, encouragement and healthy criticism. I cannot forget to thank you for the time you took for the correction of the study.

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To all, I say thank you very much and remain bless.

ABSTRACT

Generally, banks make profit in form of interest from lending credit to customers. However, the challenge of not keeping up to such agreement have left many banks at the losing end, thus customers default to pay in time, while others default completely. This affect the financial performance of the bank. The purpose of this study was to investigate the effect of credit risk management on the financial performance of commercial banks in Kenya: a case study of Kenya Commercial Bank. The study was guided by the following objectives: to investigate the effect of credit risk management on the financial performance of Kenya Commercial Bank; to find out the strategies used by the Kenya Commercial Bank to manage credit risk and to establish the policies used to mitigate credit risk in the Kenya Commercial Bank.

The study used descriptive survey design and 7 credit risk officers participated in the study. Questionnaires were used to collect data and Statistical Package for Social Sciences (SPSS) version 25 was used to get descriptive statistics.

The study established that there is a relationship between credit risk and the profitability of the bank. However, in as much as the bank make profits from credit awarded to customers, high credit risk can lead to liquidity of the bank. The study found out that the bank has some strategies for mitigating credit risk such as Board of Directors approving credit risk policies, repayment ability as the major factor that determine the amount to lend to customers, growing deposit to maintain loan to deposit ratio and internal audit. However, credit quality reports are not prepared, credit risk assessment is carried out annually which is not enough, training on credit risk management are rarely conducted and the bank does no use credit referencing in awarding credit to customers.

The study recommends that credit quality reports should be prepared monthly, credit risk assessment should be carried out regularly, credit referencing should be used in awarding credit to customers and credit risk officers should be taken for more training, workshops, short courses and seminars to better understand the ever-changing economy market.

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LIST OF ABBREVIATIONS

SPSS	Statistical Package for Social Sciences
ROA	Return on Asset
ROE	Return on Equity
NPL	Non-Performing Loan
KCB	Kenya Commercial Bank
CBK	Central Bank of Kenya
BCBS	Basal Committee on Banking Supervision

CHAPTER ONE

INTRODUCTION

1.0 Introduction

Profitability is the primary aim of any business. Among the various ways in which the bank makes their profit is by granting credit. Credit loans are given to qualified customers who are required to pay the principal amount and the interest at the agreed date. Banks grant credit to expand their revenues torrents, maintain a competitive advantage, and to foster a better relationship with their customers (Waweru & Kalani, 2009). This is a risk to the bank as some customers may not meet up with the date of payment or not even pay at all (Coyle, 2000). Effective credit policy of the bank will help the bank in credit management. Thus, the bank must make provisions for defaulters to avoid risk (Kithinji, 2010).

This research will explore the effect of credit risk management on the financial performance of commercial banks in Kenya: a case study of Kenya commercial bank.

This chapter will address the background of the study, statement of the problem, research objectives, scope and delimitations. It will also present the significance of the study, operational definition of key terms and conceptual framework of the study.

1.1 Background of the study

The idea of credit risk management has grown over the years with financial institutions developing practices and policy aimed at curtailing credit risk. Muhamet and Arbana (2016) opined that commercial banks are financial institutions with the primary function of carrying out financial intermediation: this implies that they accept deposits from customers with extra funds and loan out the money to customers with a funding gap.

Credit risk occurs when the borrower in a debt contract defaults or delays in repaying the debt either in whole or part (Anderson, 2013). In the words of Kargi (2011), credit risk is

the current and prospective risk earnings or capital arising from an obligor's failure to meet the terms of any contract with the bank or otherwise to perform as agreed. Further, the indicators of credit risk include the level of bad loans (Non- performing loans), problem loans or provision for loan losses (Jiménez & Saurina, 2006). Credit risk is the risk that a loan which has been granted by a bank, will not be either partially repaid on time or fully (Campbell, 2007). According to Boston Consulting Group (2001), credit risk has been there ever since and it is the most crucial risk facing financial institutions. The importance of credit risk and credit risk management are becoming common over time. Various reasons include; economic crisis and stagnation, organizations liquidity problems, infringement of accounting and audits procedures and standards, a rise in off-balance sheet derivatives, declining and volatile value of security on loans, borrowing made easier for small and medium organization, financial globalization and new capital requirements regulations.

The banking world is experiencing increased competition and pressure from customer, and a rise in commercial debt hence an organization's ability to effectively monitor and manage its credit risk could mean the difference between success and survival (Altman 2002). The bank must be able to make a sound credit analysis of applicant before granting a loan. Some of the important assessment include analysis of age, employment history, collateral, performance on loans currently held and types of accounts held (Shubhasis, 2005). Although banking industries are faced with other risk such as operational risk, liquidity risk, interest rate risk, foreign exchange risk, political risk and market risk, credit risk is the number one risk affecting the stability of commercial banks and other financial institutions and the economy at large since lending is a major contributor of bank's revenue sources (CBK, 2015).

Financial performance is company's ability to generate new resources, from day-to-day operation over a given period and it is measured by net income and cash from operation.

An understanding of the overall financial situation requires three key financial documents: the balance sheet, the income statement and the cash flow statement (Aktan & Bulut, 2008). According to Jensen (2001), financial performance is the measure of how well an organization utilizes its resources to generate income and maximize profits.

Brealey and Myers (2003) argue that there are various important measures in determining profitability of an organization. These include; Net Profit Margin, Return on Assets and Return on Equity. Breaking down the components of Return on Equity (ROE) Wet and Toit (2006) assert that it is one of the best measures of company performance as it combines the components of the profitability, efficiency and financial leverage. Return on Assets (ROA) is another way of measuring the profitability of a bank. Return on Assets is calculated mostly as the ratio of the current periodical income, interest income and current fees, divided by asset balance (Bessis, 2005). Nevertheless, the ROE and ROA do not include any risk adjustment. Hence, they are not comparable from one borrower to another, because their credit risk differs, from one trading transaction to another, and because the market risk varies across products, hence these are both risk and revenue adjusted (Bessis, 2005).

Commercial banks are the main source of credit to households and organizations in any economy. One of the major goals of banks is to maximize profits through revenue streams, which include interest on loans, interest on advances, fees and commissions, foreign exchange trading income, interest on government securities and dividend income etc. Interest on loans and advances constitutes the highest proportion of income of commercial banks. Therefore, there is need to monitor factors that affect commercial banks loan portfolio (CBK 2016).

1.2 Statement of the Problem

Credit risk has always been a vicinity of concern not only to bankers but to the entire business world because the risks of a trading partner not fulfilling his obligations in full on due date can seriously jeopardize the affairs of the other partner. KCB Group operates in a risk landscape that is familiar and evolving with emerging risks that may have potential adverse effect on business hence a practices proactive risk management which considers risk management as an integral part of decision making at all levels thus influencing shareholder value by viewing risks as opportunities that can be exploited for competitive advantage. KCB Group developed a credit strategy to support business growth by granting quality loan book with strong controls in order to optimize return while keeping credit risk within acceptable predetermined limits. The Bank's credit risk management aim's at preserving the high credit quality of the portfolios and thereby protecting the Bank's short and long-term viability. The introduction of Credit strategy is an added advantage to carry out this research to find out the effect of credit risk on KCB performance after they implemented their credit strategies. (KCB Integrated report and financial statement 2017)

At the global level, a lot of related research has been carried out in this area. Among these are: Poudel (2012) who conducted a research on the impact of credit risk management on the financial performance of Commercial banks in Nepal. Financial report of 31 banks were used to carry out the study over the span of eleven years (2001-2011). The study recommended banks to design and formulate strategies that will not only minimize the exposure of the banks to credit risk but will enhance profitability. The main concern of this present study is to assess what extent the Kenyan Commercial bank can control its credit risks, what are the tools or techniques that is used to handle credit risk and the credit risk management policies and strategies that are in place to improve the performance of the bank.

Similarly, Bhardwaj (2013) carried out a study on Credit risk management practices: A Comparative study of state bank of India and Punjab National bank. The study revealed that majority of respondents of Punjab and State Bank of India were not much aware of the credit risk framework and the respective practices to be followed. Both Banks were found performing several activities like industry study, periodic credit calls, periodic plant visits, risk scoring and annual review of accounts. In this present study, the researcher seeks to investigate various credit risk strategies, and policies of Kenya Commercial Bank and the effect of credit risk on the financial performance of the bank.

In addition, Kodithuwakku (2015) in his study on impact of credit risk management on the Performance of Commercial Banks in Sri Lanka reported that non-performing loans and provisions have an adverse impact on the profitability. Therefore, the study recommended the banks to implement an effective tools and techniques to reduce the credit risk management. Primary data was gathered from eight (8) commercial banks from 24 commercial banks in Sri Lanka. Relevant authorities were interviewed personally in order to have their thoughts on the problems and solutions. Since this present research is a case study, primary data will be obtained from the Kenya Commercial Bank. Similarly, in this study, interview will not be used.

Furthermore, Ali (2015) investigated on the effect of credit risk management on financial performance of the Jordanian commercial banks. The research aimed at examining the effect of credit risk management on financial performance of the Jordanian commercial banks during the period (2005-2013), thirteen commercial banks were chosen to participate in the study. The researcher recommended that banks should establish adequate credit risk management policies by imposing strict credit estimation before granting loans to customers, and banks in designing an effective credit risk management system, need to establish a suitable credit risk environment; operating under a sound credit granting process, maintaining an appropriate credit administration that involves

monitoring, processing as well as enough controls over credit risk, and banks need to devise strategies that will not only limit the banks exposition to credit risk but will develop performance and competitiveness of the banks.

Africa is not left out of credit risk management in banks. Among the notable study in Africa include Paulino (2018) in his study on the effect of credit risk management on the financial performance of commercial banks in Juba city, South Sudan. Recommended that all banks operating across East Africa should have in place clearly defined policies on risk identification, the top management of all commercial banks should strive to improve efficiency with which staffs are able to analyse risks, the management of banks should set up a risk management committees to report any incidences of risk exposure in a timely manner, banks should put in place credit approval authorities and all approvals made should be sanctioned by the board of directors. The study was carried out in Juba city in South Sudan with six commercial banks namely; KCB, Equity, Cooperative, ECO bank, Agricultural bank, and Eden Commercial Banks. Questionnaires were used to collect data from the target population of the study. In this present study, the researcher will administer questionnaire to the various credit managers and credit committee members of the Kenya Commercial bank.

Kurawa and Garba (2014) carried out a study on the effect of credit risk management on the Profitability of Nigerian Banks. Data were collected from secondary sources, specifically, the annual reports and accounts of the quoted banks operating in the Nigerian Stock Exchange as at 2002 to 2011. The study recommended that banks' management should apply risk evaluation techniques in their credit risk assessment and management of loan portfolios in order to minimize the high incidence of non-performing loans and their negative effect on profitability. The research design used for the study was an ex-post facto research design. This present research is a case study and will use questionnaire for data collection.

Abdallah (2016), researched on the effect of credit risk on financial performance of commercial banks in Kirinyaga County. The target population comprised of commercial banks financial managers, branch managers and credit/loan officers in Kerugoya town in Kirinyaga County. The study made use of questionnaires which were sent to the commercial banks to collect primary data and the annual report of the banks for secondary data. This present study will be a case study of Kenya Commercial Bank and only questionnaires will be used to collect data.

Ochola (2010) carried out a study on credit risk management practices by commercial banks in Kenya. The study was aimed at understanding the process of credit risk identification by commercial banks, the extent to which commercial banks classify and monitor credit risks, identifying the various practices that the commercial banks adopt in managing the credit risks and how these commercial banks monitor the success of the various policies adopted. The study was carried out in Kisumu. This present study will be carried out in Nairobi and will be analyzing credit risk management of Kenya Commercial Bank.

Nyabicha (2017) sought to find the effect of credit risk management on the performance of commercial banks listed at the Nairobi Securities exchange in Kenya. The population of the study was the forty-four licensed commercial banks in Kenya as at December 2014. A purposive sample of ten banks was selected based on the criteria that they were listed and had complete data for the period under study. Secondary data was collected from the financial statements of the banks. The study concluded that non-performing loans ratio had a negative effect on bank stock performance in Kenya for the period under study. This present study will use a simply designed questionnaire to obtain data from the Commercial bank of Kenya.

Conclusively, this research will improve on the existing studies on credit risk management and financial performance of a bank. Further, since no one has carried out a case study of Kenyan Commercial bank, this study has the advantage of narrowing down its findings to a particular bank thus giving it a research gap.

1.3 Research Objectives

The purpose of this study is to investigate the effect of credit risk management on the financial performance of commercial banks in Kenya: a case study of Kenya commercial bank.

1.3.1 Specific Objectives

I. To investigate the effect of credit risk management on the financial performance of Kenya Commercial Bank

II. To find out the strategies used by the Kenya Commercial Bank to manage credit risk

III. To establish the policies used to mitigate credit risk management in the Kenya Commercial Bank.

1.4 Research Questions

I. What is the effect of credit risk management on the financial performance of Kenya Commercial Bank?

II. What are the strategies used by the Kenya Commercial Bank to manage credit risk?

III. What are the polices used by the Kenya Commercial Bank to mitigate credit risk management?

1.5. Significance of the Study

The findings of this study will benefit the management of Kenya Commercial bank, enabling them to improve on existing strategies and policies on credit risk management while maximizing profit. This study will be of use to various regulatory bodies like the Central bank of Kenya, Capital Markets Authority. The findings of this study will also help the Government to come up with polices that will better help banks to manage their credit risk. The study will provide more knowledge to those who want to undertake further research on area of credit risk management.

1.6 Scope and Delimitation of the Study

This study will investigate the effect of credit risk management on the financial performance of Kenya Commercial Bank. Similarly, this study will be confided to Kenya Commercial Bank head-quarter branch since it is a case study hence findings from this study may not be a reflection of other banks within Nairobi and therefore generalization may not be accurate.

1.8 Conceptual Framework

According to Bogdan and Biklen (2003), conceptual framework is a basic structure that consists of certain abstract blocks which represent the observational, the experiential and analytical aspects of a process or system being conceived.

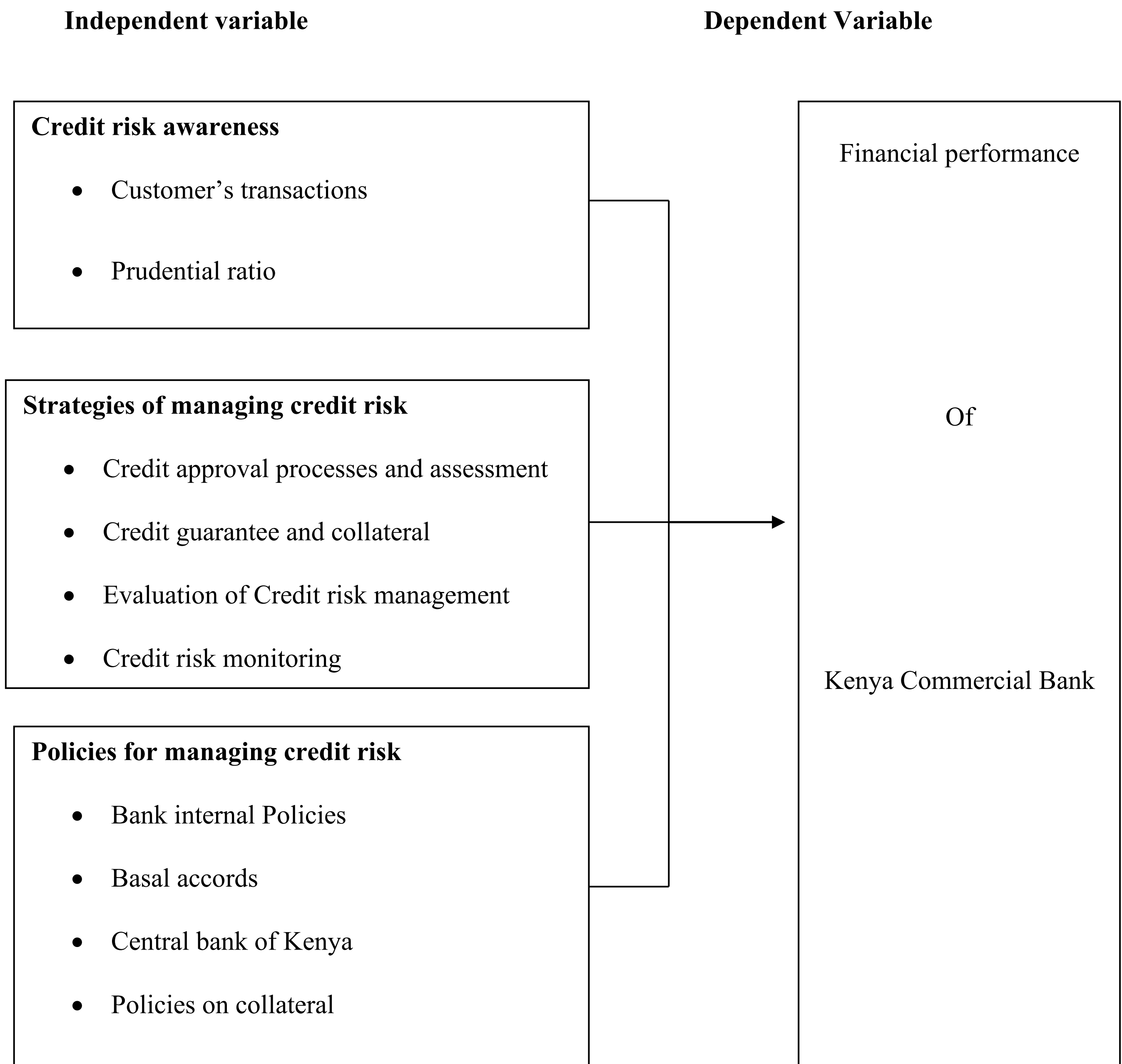

Figure 1: Conceptual Framework

Source (Author, 2019)

1.9 Operational Definition of Terms

Credit risk is the risk that counterparties in loan transactions and derivatives transactions will default.

Credit risk management is the practice of mitigating credit risk losses by understanding the adequacy of both a bank ‘s capital and loan loss reserves at any given time.

Credit risk mitigation is a range of techniques whereby a bank can partially protect itself against counterparty default (for example, by taking guarantees or collateral, or insurance).

Credit is the use or possession of goods or services without immediate payment.

Derivative is a financial instrument that is concerned with the transfer of financial risk between or among parties.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter will review literature that is related to this study carried out by other researchers regarding credit risk management in banks. This chapter will be divided into the following areas; credit risk and financial performance, strategies of managing credit risk, and policies mitigating credit risk.

2.1 Credit risk and financial performance

Credit remains the primary source of revenue for any bank around the world. However, the probability of default borrowers' loan commitments has been an increasing concern for those banks particularly for unsecured bank loans. This risk could be categorized as credit risk. Banks grant loans to the customer with an expectation of receiving the capital together with an interest. A loan facility is considered to be performing if payment of both capital and interest are paid accordingly with agreed repayment terms. The Non-Performing Loans (NPL) represents credits which the banks perceive as possible loss of funds due to customers failure to repay the monthly installments (Kodithuwakku 2015). An increase in bank credit risk gradually leads to liquidity risk. Credit risk may increase if the bank lends to borrowers without any adequate knowledge of their creditworthiness. According to Jimenez and Saurina (2006), indicators of credit risk include the level of bad loans (Non- performing loans), problem loans or provision for loan losses. In the same view, Bhardwaj (2013) opined that dramatic losses in the banking industry has been reported in recent years. Banks that are performing well suddenly announce large loss due to credit transactions that turned bad, interest rate, defaults of agreement. Bhardwaj also said that bank's portfolio, losses stem from outright default due to inability or unwillingness of a customer or a counterparty to meet commitments in relation to lending,

trading, settlement and other financial transactions. In the same view, Greuning and Bratonovic (2009) concluded that credit risk has always been the biggest threat to any bank's performance and the principal cause of bank failures. Wet and Toit (2006), assert that the return on equity is one of the best measures of company performance as it combines the components of the profitability, efficiency and financial leverage. Kargi (2011) supported the claim that profitability of bank is negatively controlled by loans and advances, non-performing loans, and deposits levels, thus exposing banks to huge risk of illiquidity and distress. Nevertheless, capital adequacy is a prerequisite for all banks as it enables them to absorb any shocks that the bank may experience (Kosmidou, 2009).

Fredrick (2010) carried out a study on the impact of credit risk management on financial performance of commercial banks in Kenya. The study demonstrated that credit risk management has a strong impact on bank's financial performance in Kenya. Hence, Aburime (2008) hold the view that the profitability of a bank depends on its ability to foresee, avoid and monitor credit risk.

Opondo (2014) investigated on the effect of credit risk on the financial performance of commercial banks in Kenya. The study revealed that there was positive relationship between credit risk and profitability of the commercial banks.

Finally, Onkoba (2014) conducted a research on the effect of credit risk on the financial performance of commercial banks in Kenya. The data collected from the annual reports of the banks was analysed using multiple regression analysis. The study discovered that there was a significant relationship between the bank performance (ROA) and credit risk (loan performance).

2.2 Strategies of managing credit risk

Once a new loan is approved, the lending bank usually had implemented a lot of analyses to predict the ability and willingness to repay of the customer. But sometimes, the expectation of bank can turn out off beam during the loan period. This requires the bank to have a clear credit risk managing (Nguyen, 2016).

Credit risk management is simply the procedures implemented by organizations with the aim of diminishing or avoiding credit risk (Luy, 2010). It involves the act of monitoring transactions and activities which can adversely impact banking operations, hence enacting proactive measures to identify, control and minimize these risks (Ardrey, Perryer, Keane & Stockport 2009). Credit risk management entails an expert analysis system, whose objective is to look at both the borrower and the lending facility being proposed and to assign a risk rating (Caouette, Altman, Narayanan, Nimmo 2008).

It is necessary for the bank to conduct a credit analysis of the customers and evaluate their ability to pay back the loan (Nguyen, 2016).

Proper credit analysis and evaluation according to Apostolik, Donohue & Went (2009), include:

Character: This indicates the debtor's willingness to repay, the reputation of the debtor in his industry and in relationships with other lending institutions. Bank officers will look at the customer's historic transactions to detect any events that are relating to credit lending.

Capital: Refers to the capital structure of the borrower. Credit analysts study the level of leverage of the target firm by evaluating the weight of debt and equity that are used as sources of finance.

Conditions: Refers to external factors that might affect the borrower's financial situation and his ability to repay. These external factors come from the economic environment and related industry.

Capacity: When analyzing this, banks focus on cash flow reports of customers. Banks always want to lend out money to firms that have predictable, stable cash flow and alternative sources of credit to pay back loans.

Collateral: Refers to assets of the borrower which are used to securitize loans. In case the client failed to make payment, the lending bank can sell these assets to compensate for part or all of the loss.

According to Gieseche (2004), success of banking business depends on accurate measurement and efficient management of credit risk.

Bhaskar (2014) is of the opinion that, bank's authority should have a well-defined committee for credit approval. This ensures that decisions are prudent and are made within the stipulated norms. Banks should have procedures in place to direct the collection of principal, interest and other charges in accordance with established terms of repayment. Some kind of mechanism to address the issue of non-performing loans should also be put in place, as well as mechanisms for enforcing a creditor's rights in the case of loss loans. A bank reporting system should generate accurate and timely reports on its credit exposure because, maintenance of detailed, up-to-date information on borrowers is a precondition for ongoing risk assessment. In the view of Afriyie and Akotey (2013), banks should manage uncertainties through risk assessment, development of strategies to manage it and mitigation of risk using executive resources. The strategies include transferring to another party, avoiding the risk, reducing the negative effects of the risk, and accepting some or all of the consequences of a particular risk. Operating under a sound credit granting process is the basis for an effective credit risk management as

lending business without gathering the necessary information is just like putting money in fire (Atakelt and Veni, 2015).

Furthermore, Basel Committee on Banking Supervision (BCBS) of 1999 illustrated the four major ways of managing credit risk. These include:

1. Establishing an appropriate Credit risk environment: Establishing an appropriate Credit risk environment standard necessitate each commercial bank to establish its own strategies and policies along with clear responsibilities of developing, reviewing, approving, implementing, communicating and reporting risk related data, in addition to internal control system and monitoring compliance so as to ensure safety, soundness, and profitability of the bank.

2. Operating under sound Credit granting process: This encompasses the responsibilities of board and senior management of the bank as they play a key role in credit risk management activities. The standards under sound credit granting process enforce each bank to operate its credit granting activities through establishing and applying sound credit granting process with credit policy accompanied with a well-defined credit-granting criterion, a comprehensive credit limits as well as undertaking Creditworthiness analysis on arm's-length basis.

3. Maintain appropriate Credit administration, measurement and monitoring process: Each bank to establish appropriate credit administration and monitoring system and procedures. This implies developing and utilizing internal risk rating, management information system, as well as establishing system for monitoring the overall composition and quality of the credit portfolio and assessing potential future change. According to Read and Gill (2015), the risk manager is responsible for among other things, monitoring, measurement and control of credit risks. The duties of a Risk Manager include making sure possible events or future changes

that could adversely affect the ability of the banking institution are under control, adequate review and reporting structures so as to properly identify, asses and control the inherent risks are in place. Risk monitoring ensures that the strategies used in managing risks are in line with the overall objectives of the organization. This helps a financial institution to discover mistakes at an early stage (AlTamimi & Al Mazrooei, 2007).

4. Adequate Control of overall Credit risk: This includes establishing a system, policies and procurers for early identification of deteriorating credits sign, managing problem loans and similar work out situations as well as efficient and independent internal credit quality review and reporting system are principles under standard of Adequate Control overall Credit risk.

Sharing the same view as the Basal 1999, Bagchi (2003) said that risk identification, risk measurement, risk monitoring, risk control and risk audit as well as Credit risk management policies and credit rating system are the major components of credit risk management system.

Atakelt and Veni, (2015) carried out a study on credit risk management practice of Ethiopian Commercial Banks. Descriptive research based on Survey approach was carried out using primary data collected through self-developed questionnaire. The study found out that proper administration of Credit documentation as well as monitoring the status of borrowers, loan term and conditions and collateral coverage periodically as well as keeping Credit file up to date and repayments continuously are the basic post Credit approval activities of Credit risk management process that help to discover mistake at early stage while management information system and internal risk rating are the main ingredient for monitoring, reporting and controlling risks. In addition, risk management staff needs to be given an on-going training since the market is ever changing.

In the same opinion, Waweru & Kalani (2009) found that most banking crises have directly led to the inadequate management of credit risk by institutions and lack of skills amongst loan officers respectively.

2.3 Policies for managing credit risk

Effective credit risk management requires that both the board and management set up policies and procedures, which at a minimum should address parameters for composition and spread of credit portfolio (Kithinji, 2010). Such policies guide the bank in the process of awarding credit. Credit control policy is the general guideline governing the process of giving credit to bank customers. The policy sets the rules on who should access credit, when and why one should obtain the credit including repayment arrangements and necessary collaterals (Kithinji, 2010). Typically, every bank has its own lending policy, which determines bank visions and strategies linked to credit activities. For a commercial bank, this policy acts as a guideline for employees and loan personnel in their daily credit decisions, handling of transactions, negotiation and on-going interaction with customers (Nguyen, 2016).

According to Buzzell and Spasovski (2004), lending policy should cover the following arears:

Lending organization

Lending objectives

Standards and criteria for loan

Credit risk rating

Loan authority

Lending procedures

In the view of Nguyen (2016), good lending policy is a strong tool to manage credit risk because it forms a system to evaluate and analyze credit profiles of new and existing borrowers. Furthermore, these policies affect both the bank and the customer; hence the board of directors should put effort into developing and reviewing these policies annually and make necessary adjustments.

According to Kithinji (2010), bank internal lending policy guides banks in disbursing loans to customers. Strict adherence to the lending policy is by far the cheapest and easiest method of credit risk management. The lending policy should be in line with the overall bank strategy and the factors considered in designing a lending policy should include;

The existing credit policy

Industry norms

General economic conditions of the country and the prevailing economic climate

According to Nguyen (2016), the bank has to conduct credit analysis regularly during loan period. Similarly, it is important that bank officers supervise and monitor borrower's activities according to loan policies and provisions of the bank. Alawiye-Adams (2008) elucidates three major activities in credit supervision of a customer:

Performing re-analysis of the customer's credit profile to evaluate the ability to repay and detect changes in credit quality from time to time. Based on the current credit rating of the loan, the lending bank should apply suitable supervising methods. For example, doubtful loans need to be re-assessed more regularly than standard loans.

Examine the use of loan according to loan agreement and loan covenants since borrower can spend the credit for wrong purposes.

Supervising the operating of the debtor's business to project future cash flow.

The credit policy should set out the bank's lending philosophy and specific procedures and means of monitoring the lending activity. This is to ensure that only those borrowers

who require credit and are able to meet the repayment obligations can access credit (Kithinji, 2010).

The Basel II emphasized on the need to create an international standard regarding how much capital banks need to put aside to guard against various types of risk. In practice Basel II tries to achieve this by setting up risk and capital management requirements of banks. This ensuring that a bank holds capital reserves appropriate to the risks the bank exposes itself to. Similarly, adhering to the direction of Basel II, the Central Bank of Kenya as at (2013) set up a regulation that all financial institutions are to build up their minimum core capital requirement to 1 Billion Kenya shillings.

Collateralization is when borrowers pledge their assets as guarantees for banks to issue new loans or to enhance existing credit limit. If debtors cannot afford to repay the loans, banks can seize these assets and resell them. Collaterals could be cash, account receivables, guarantees, properties and equipment. Even though collateral is an important secondary source of repayment, reselling these types of collateral is more difficult to do than say and it could be costly (Nguyen, 2016). Besides, Brigo, Morini and Pallavicini (2013) opined that they could be variation in the value of a collateral during the loan period, so it is not always easy to evaluate the reasonable value of the asset. In case the value of collaterals decreased, especially in real estate market, selling assets might be very time overwhelming.

Kuo & Enders (2004) conducted a study on credit risk management policies for state banks in China. The findings revealed that the state-owned commercial banks in China are faced with the extraordinary challenges. This made them less able to compete with the foreign bank unless they some thoughtful changes are made. In this thoughtful change, the reform of credit risk management policy is a major step that will determines whether the state-owned commercial banks in China would survive the challenges or not.

Muninarayanappa and Nirmala (2004) in their study on credit risk management concluded that success of credit risk management requires maintenance of proper credit risk environment, credit strategy and policies. Thus, the ultimate aim should be to protect and improve the loan quality.

Njanike (2009) researched on the impact of effective credit risk management on bank survival in Zimbabwe. The study concluded that the failure to efficiently deal with credit risk led to banks' failure in Zimbabwe between 2003 and 2004. The study also established that the failure to efficiently handle credit risk led to a higher-level banking crisis. It recommended that banks should establish and implement credit scoring and evaluation methodologies, review and revise the insider loans policies, and implement prudential corporate governance practices. Sharing the same view, Poudel (2012) proposed that banks should create and develop policies with the aim of not only reducing the exposure of the banks to credit risk but also improving profitability.

Nawaz and Munir (2012) carried out a study on credit risk and the performance of Nigerian banks found that credit risk management effected the banks' profitability, and they recommended that management should be cautious in setting up a credit policy that might not negatively affect profitability.

The review of above literature confirm that many studies have been conducted in the field of credit risk in the banking sector and its effect on financial performance. But to the best of the researcher's knowledge, no case study has been conducted for the Kenya Commercial bank. Thus, this study will be conducted to bridge the gap, and contributing a well of knowledge to already existing study. Furthermore, this study will provide updated literature for other researcher to base their study on.

CHAPTER THREE

RESEARH DESIGN AND METHODOLOGY

3.1. Research design

A research design is an arrangement of the conditions for collection and analysis of data in a way that combines their relationship with the purpose of research to the economy of procedures (Chandran, 2004).

This research will use the descriptive research design aimed at determining the effect of credit risk management on the financial performance of Kenya Commercial Bank. According to Bryman (2001), descriptive studies report the way circumstances are; by describing elements such as possible behaviour, attitudes, values and characteristics. Basically, descriptive research design involves obtaining information concerning the current status of a phenomena to describe," What exist" with respect to variables or condition in a situation (Gardner, Dixie & Cooperman 2004).

3.2 Target Population

According to Krawthwohl (2004) target population refer to the total number of subjects or the total environment of interest to the researcher. The target population of this research will be the 10 credit risk officers of the Kenya Commercial Bank.

3.3 Sample and Sampling Procedure

A sample is a small portion of a target population. Sampling means selecting a given number of subjects from a defined population as representative of that population (Orodho, 2002). The researcher will purposively sample 10 credit officers and managers of the Kenya Commercial Bank to participate in this study. Since this is a case study, purposive sampling will enable the researcher to find people who can and are willing to provide the information by virtue of knowledge and experience (Bernard 2002).

3.4 Data collection Procedure and Instrument

Data collection is gathering empirical evidence in order to gain new insights about a situation and answer questions that prompt undertaking of the research (Flick, 2009).

The data will be collected using questionnaires. According to Harris and Brown (2010), a questionnaire come in handy when gathering standardized information over a short period of time in a short time frame.

3.5 Data analysis and presentation

Malhotra and Birks (2006) describe data analysis as the editing, coding, transcription and verification of data.

Data will be analysed using descriptive statistics. Statistical Package for Social Sciences (SPSS) will be used for this analysis. Data will be presented in form of tables, charts and graphs for easy understanding.

3.6 Validity and reliability of the research

The validity of a research instrument is concerned with the accuracy with which the instrument measures what it is supposed to (Golafshani, 2003). Therefore, the validity of this research will be achieved through the consultation and guidance from supervisors and experts. According to Denscombe (2007), reliability refers to the constituency of a particular measuring instrument yielding a similar result over a number of repeated trails.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

This chapter presents the analysis, presentation and interpretation of the data collected. The study sought to investigate on the effect of credit risk management on the financial performance of commercial banks in Kenya: a case study of Kenya Commercial Bank. Data gathered was analyzed using Statistical Package for Social Sciences (SPSS) version 25. The information was presented in form of frequency tables, pie charts, and bar diagrams with their percentages.

4.1 Distribution of Questionnaires and Return Rate

The analysis of the questionnaire return rate for the number of respondents who participated in the study is presented below

Table 1: Analysis of questionnaire return rate

Respondents	**Target Questionnaires**		**Return Questionnaires**	
	f	**%**	***f***	**%**
Credit risk officers and managers	10	100	7	70

The study enlisted 10 credit risk managers and officers of the Kenyan Commercial Bank but only 7 participated, which is 70%. The small number that was unable to participate was negligible and therefore did not affect the outcome of the study in any significant way.

4.2 Demographic Information

4.2.1 Gender Distribution

Table 2: Respondents' Gender

Gender	f	%
Male	3	42.9
Female	4	57.1
Total	**7**	**100.0**

The gender analysis shows that 57% of the respondents were female while 43% were male. This implies that female respondents outnumbered their male counterparts.

4.2.2 Year of work

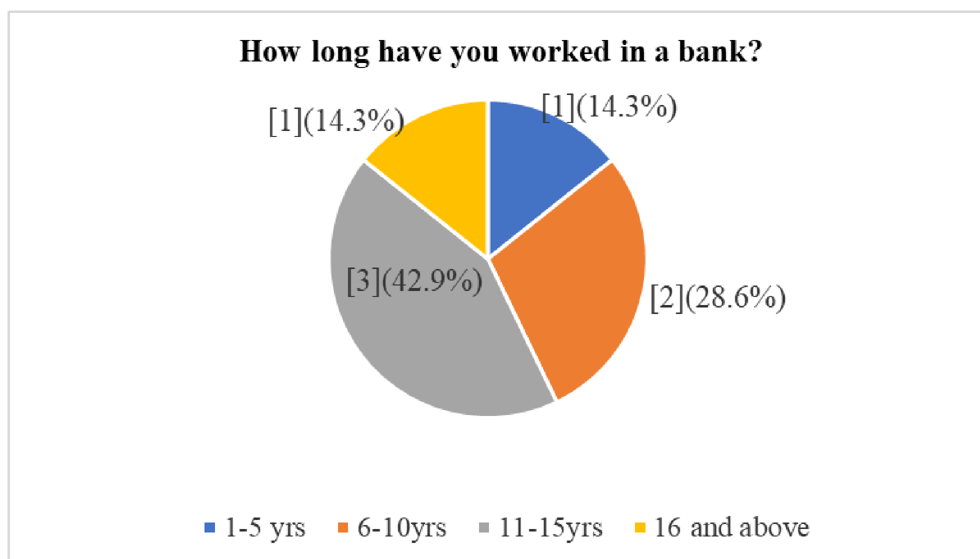

Figure 2: How long have you worked in a bank?

Figure 1 shows that 14% of the respondents had worked in a bank from 1-5 years, 29% had worked for 6-10 years, 43% had worked for 11-15 years and 14% had worked in a bank for 16 years and above. Since the majority of the respondents have worked in the bank for a good number of years, their judgement and responses will be out of experience hence valid.

4.2.3 Years of experience in credit risk management

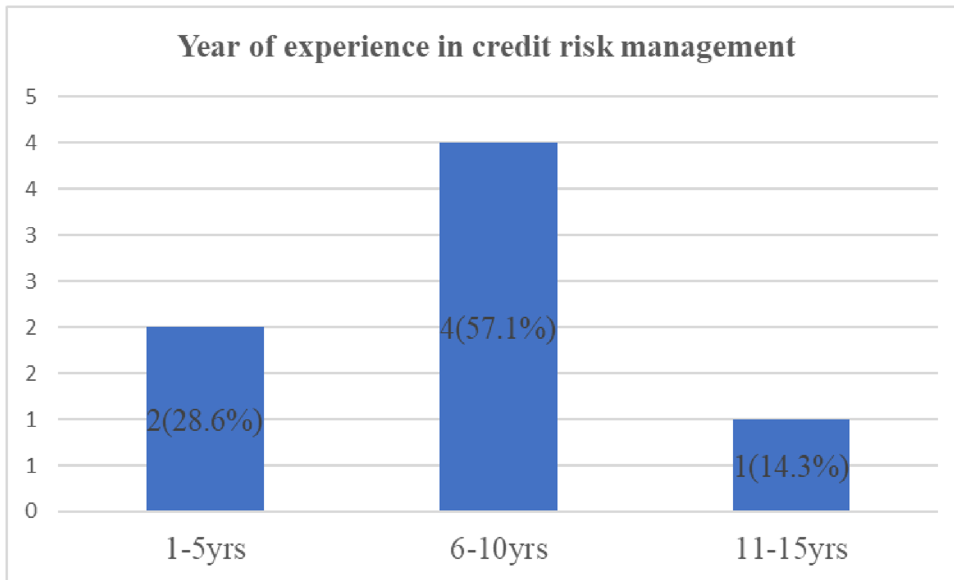

Figure 3: Year of experience in Credit risk management.

According to the findings in figure 2, 29% of the credit risk managers of the Kenya Commercial Bank have had 1-5 years of experience in credit risk management, 57% have 6-10 years of experience and 14% have 11-15 years of experience in credit risk management. This confirms the findings of Figure 1.

4.2.4 Level of Education

Table 3: Level of Education

Level of Education	**f**	**%**
Bachelor	1	14.3
Masters	4	57.1
PHD	2	28.6
Total	**7**	**100**

The researcher sought to find out the level of education of the Kenya Commercial Bank credit risk employees. This information was important because it revealed how best the employees are knowledgeable in the area of credit risk management. The findings show that 14% of the credit risk managers are bachelor holders, 57% are masters holders and 29% are PHD holders.

4.3 Credit risk and Financial Performance

The study embarked on trying to establish the effect of credit risk on financial performance. The analysis of these items are as follows:

4.3.1 Relationship between credit risk and the profitability of the bank

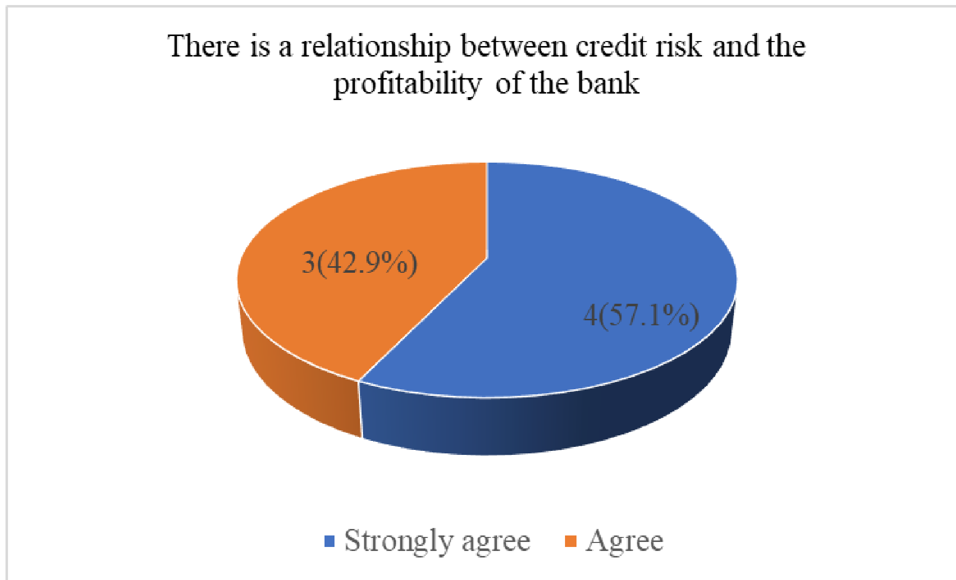

Figure 4: There is a relationship between credit risk and the profitability of the bank.

The researcher sought to find out whether there is a relationship between credit risk and the profitability of the bank. The findings of Figure 3 show that 100% of the credit risk managers are in agreement that there is actually a relationship credit risk and the profitability of the bank.

4.3.2 Practice of mitigating credit risk

Table 4: We have the practice of mitigating credit risk

We have the practice of mitigating credit risk	f	%
Strongly Agree	4	57.1
Agree	3	42.9
Total	**7**	**100**

The findings of Table 4 Shows that 100% of the credit risk managers are in concur that they have the practice for mitigating credit risk. This is a positive indication.

4.3.3 Credit risk management techniques result in reduction in high financial risk

Table 5: Effective credit risk management techniques result in reduction in high financial risk.

Effective credit risk management techniques result in reduction in high financial risk	f	%
Strongly Agree	3	42.9
Agree	4	57.1
Total	**7**	**100**

Effective credit risk management techniques can result in reduction in high financial risk, this is evident as 100% of the credit risk managers are in accord with the statement.

4.3.4 High credit risk can lead to liquidity

Table 6: High credit risk management can lead to liquidity of the bank

High credit risk can lead to liquidity of the bank	f	%
Strongly Agree	4	57.1
Agree	3	42.9
Total	**7**	**100**

It is evidence from the findings that high credit risk can lead to liquidity of the bank as 100% of the credit risk managers agreed.

4.3.5 We make profit from credit awarded to customers

Table 7: We make profits from credit awarded to customers

We make profits from credit awarded to customers	f	%
Strongly Agree	3	42.9
Agree	4	57.1
Total	**7**	**100**

The findings of Table 7 revealed that for the bank to make more profit, they award credit to the customers. 100% of the credit risk managers agreed to this statement.

4.4 Strategies of Managing Credit Risk

The study examined the strategies employed by the Kenyan Commercial Bank in managing credit risk. The findings are discussed below:

4.4.1 Credit risk policy in the bank?

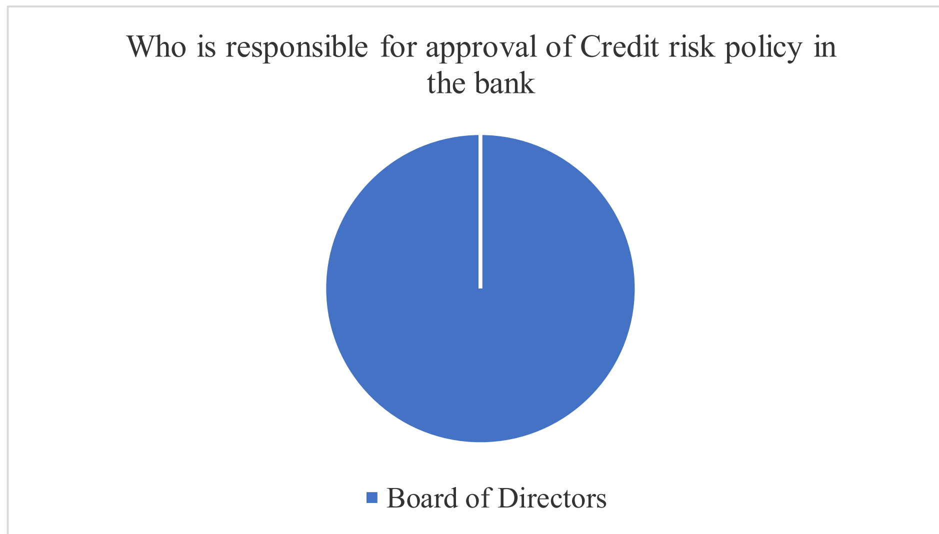

Figure 5: Who is responsible for approving credit risk in the bank

In regards to who is responsible for the approval of credit risk policy in the Kenya Commercial Bank. The total of 100% of the credit risk managers have noted that it is the Board of Directors who are responsible for the approval of the credit risk policy. This is an indication of efficient strategies of managing credit risk.

4.4.2 Techniques or Instruments for Credit risk management

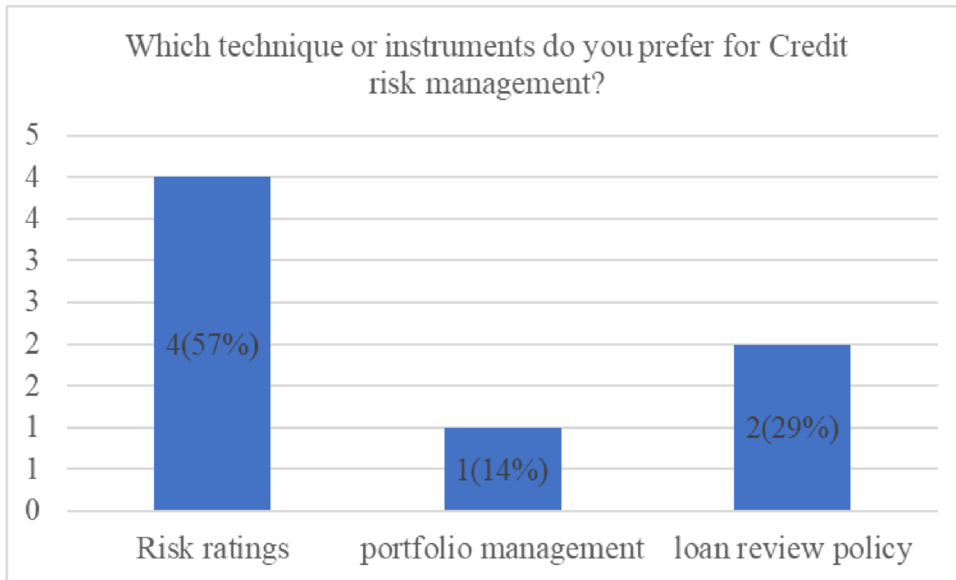

Figure 6: Which technique or instruments do you prefer for credit risk management

Figure 5 shows that risk ratings with 57% is the most used techniques for Credit risk management in the Kenyan Commercial Bank. Furthermore, 29% settled for loan review policy while 14% responded portfolio management.

4.4.3 Credit Quality reports

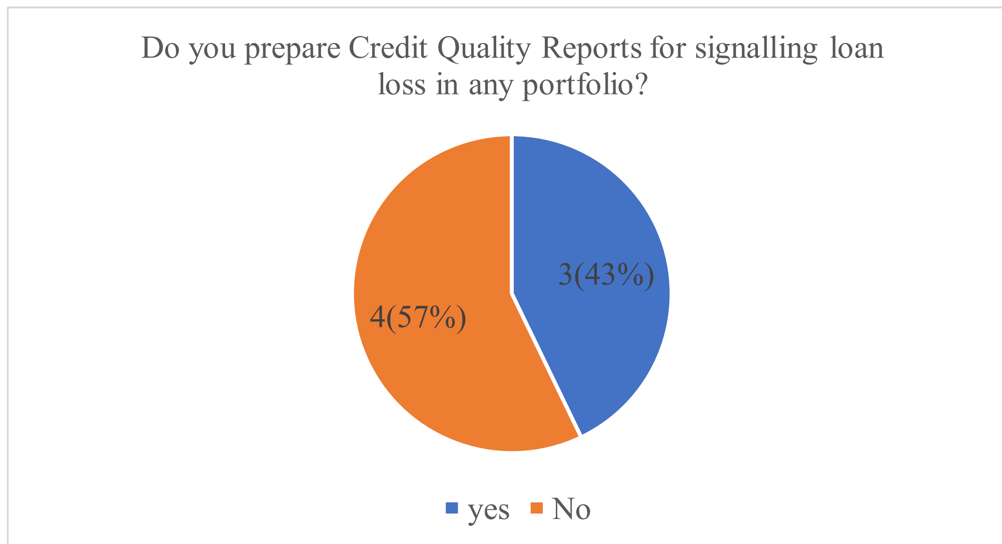

Figure 7: Do you prepare credit quality reports for signalling loan loss in any portfolio

This analysis shows that the Kenyan Commercial Bank does not prepare Credit Quality Reports for signaling loan loss in any portfolio as indicated by 57% of the Credit officers. Although 43 % contradicted this opinion. This is an indication of lack of adequate strategies aimed at managing credit risk.

4.4.4 Credit risk assessment review in the bank

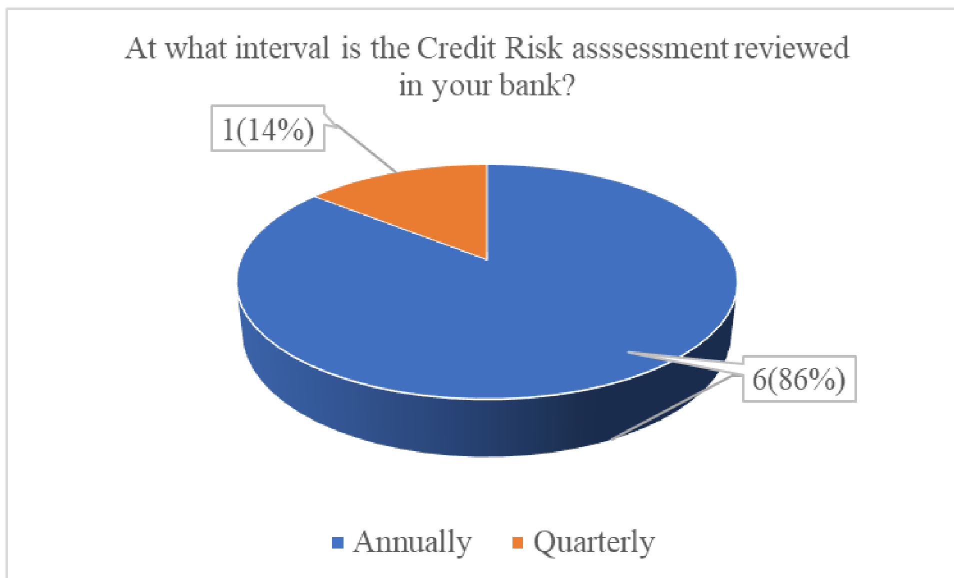

Figure 8: At what interval is the credit risk assessment reviewed in your bank

From the figure above, 86% opined that Credit Risk assessment in the Kenya Commercial Bank is reviewed annually. Although positive, this may not be enough since within the span of the year the bank can fall into Credit Risk. However, 14% agreed that this assessment is done quarterly.

4.4.5 Validation processes employed in credit risk management

The study sought to find out the methods of validation employed by the bank in managing credit risk. The data was qualitatively analyzed and the findings are as follows:

Overwhelming majority of the respondents concur that internal audit is the most used validation process employed in managing credit risk. This was seconded by external audit and regulatory compliance certification. A few mentioned risk management review, control risk self-assessment and consultant review.

4.4.6 Staff training on credit risk management strategies

Table 8: The bank organizes frequent staff training on Credit Risk management strategies

The bank organizes frequent staff training on Credit management strategies	Frequency	Percent
Yes	3	42.9
No	4	57.1
Total	**7**	**100.0**

Table 8 reveals that 43% of the Credit risk officers concur that there is frequent training for them on how to effectively manage Credit risk. On the contrary, 57% disagree to this statement. This is an indication of poor credit risk management strategies.

4.4.7 Credit referencing

Table 9: The bank makes use of credit referencing in awarding credit to customer

The bank makes use of credit referencing in awarding credit to customer	Frequency	Percent
Yes	3	42.9
No	4	57.1
Total	**7**	**100.0**

The finding of Table 9 revealed that the Kenyan Commercial Bank does not use credit referencing in awarding credit to her customers as indicated by 57%. 43 % had a different opinion as they confirm the use of credit referencing in awarding credit to customers. Nevertheless, this indicate a weak credit risk managing strategies.

4.4.8 Approaches laid out in Basal II

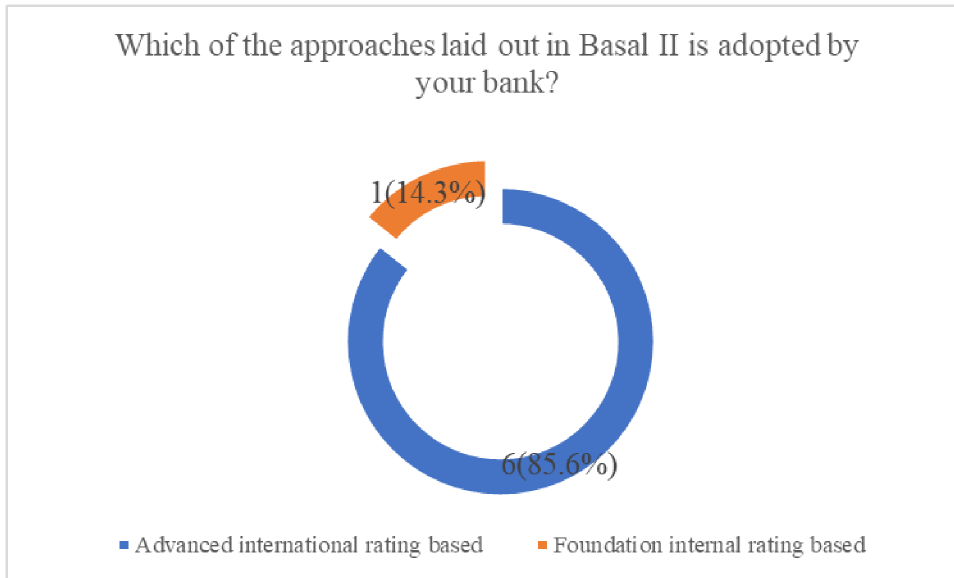

Figure 9: Adopted approaches laid out in Basal II

Figure 8 shows that the Kenyan Commercial Bank adopted the advanced international rating based from the Basal II in managing their credit risk. This was confirmed by 86% while 14% of the respondents were of the opinion that foundation internal rating-based approach is what the bank adopts from Basal II to manage credit risk.

4.5 Policies to Mitigate Credit Risk

The study examined the policies used by the bank to mitigate credit risk. Analysis of the findings are discussed below:

4.5.1 What are the forms of credit risk in your bank

Qualitative analysis of this was carried out and the research found out that irregular repayment is the major credit risk in the Kenyan Commercial Bank. Furthermore, interest rate variation is the second major credit risk while a few responded that it is difficult repayment.

4.5.2 Preferred policy

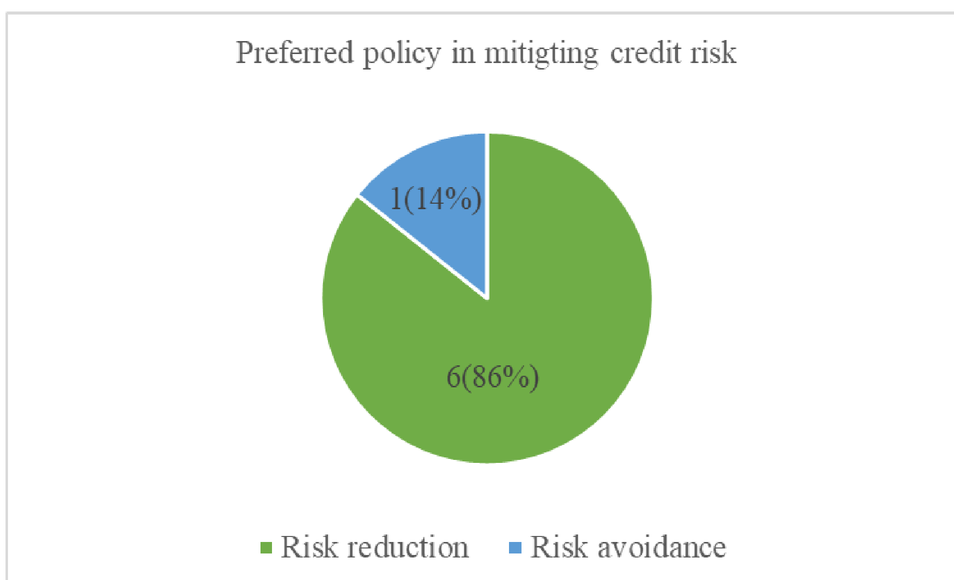

Figure 10: Preferred policy in mitigating credit risk

Figure 9 shows that risk reduction with (86%) is the most used policy in mitigating credit risk in the Kenyan Commercial Bank. 14% of the respondents agreed it is risk avoidance.

4.5.3 Techniques used to maintain loan to deposit ratio

Table 10: Techniques used to maintain loan to deposit ratio

What are the techniques used to maintain loan to deposit ratio?	Frequency	Percent
Increase collateral	3	42.9
Growing deposit	4	57.1
Total	**7**	**100.0**

On what are the techniques used by the bank to maintain loan to deposit ratio, 43% responded it is by increasing collateral while 57% said the bank should continue growing deposit.

4.5.4 What determine the highest amount to lend to customers

Table 11: What factors determine the highest amount to lend to customers

What factors determine the highest amount to lend to customers?	Frequency	Percentage
Repayment ability	4	57.2
Duration of repayment	1	14.3
Source of income	2	28.6
Total	**7**	**100**

Table 11 revealed that majority of the respondents (57%) confirmed that repayment ability is the major factor that determine the highest amount to lend to customers. 29% differ in their opinion as they responded that it is the source of income. Similarly, 14% said it is duration of repayment.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study was carried out to investigate the effect of credit risk management on the financial performance of commercial banks in Kenya: a case of Kenya Commercial Bank. This chapter summarizes the findings of the study and further made recommendations. Finally suggested areas for further research were outlined.

5.2 Summary of findings

The study was grounded on the following objectives, namely: to investigate the effect of credit risk management on the financial performance of Kenya Commercial Bank; to find out the strategies used by the Kenya Commercial Bank to manage credit risk and to establish the policies used to mitigate credit risk in the Kenya Commercial Bank.

The research instruments used for the study was questionnaire for credit risk officers and managers of the Kenya Commercial Bank. Quantitative data was coded into SPSS software version 25 for analysis. The analyzed data was presented in terms of frequencies and percentages, using pie charts and tables. Qualitative data was put into theme categories and presented in a way that captured the opinions of the respondents.

5.3 Summary of the findings

5.3.1 Credit Risk and Financial Performance

The study established that there is a relationship between credit risk and the profitability of the bank. The study found out that the bank has the practice of mitigating credit risk as indicated by an overwhelming 100% of the respondents. Similarly, the study revealed that effective credit risk management techniques result in reduction in high financial risk. Furthermore, in as much as the bank make profits from credit awarded to customers, it was discovered that high credit risk can lead to liquidity of the bank.

5.3.2 Strategies for Managing Credit Risk

The findings revealed that the Board of Directors are responsible for the approval of the credit risk policy. This is an indication of effectual strategies of managing credit risk. The study noted that risk ratings with 57% is the most used techniques for Credit risk management in the Kenyan Commercial Bank. However, not much attention is paid to the preparation of credit quality reports aimed at signaling loan loss in the portfolio.

The study established that Credit Risk assessment in the Kenya Commercial Bank is reviewed annually 86%. However positive, this may not be enough since within the span of the year the bank can fall into Credit Risk.

The study examined that internal audit is the most used validation process employed in managing credit risk. Furthermore, the study revealed that 43% of the Credit risk officers concur that there is frequent training for them on how to effectively manage Credit risk. On the contrary, 57% disagree to this statement. This is an indication of poor credit risk management strategies.

It was also noted that the Kenyan Commercial Bank does not use credit referencing in awarding credit to her customers as indicated by 57%. Nevertheless, the Kenyan

Commercial Bank adopted the advanced international rating based from the Basal II in managing their credit risk.

5.3.4 Policies to Mitigate Credit Risk

The study showed that irregular repayment is the major credit risk in the Kenyan Commercial Bank. It was noted that risk reduction with (86%) is the most used policy in mitigating credit risk in the Kenyan Commercial Bank.

The research established that growing deposit is the techniques the bank uses in maintaining loan to deposit ratio. Furthermore, (57%) confirmed that repayment ability is the major factor that determine the highest amount to lend to customers.

5.4 Conclusion

The study concludes that there is a relationship between credit risk and the profitability of the bank. However, in as much as the bank make profits from credit awarded to customers, high credit risk can lead to liquidity risk of the bank.

The study concludes that despite the bank having some strategies in place to curb credit risk such as Board of Directors approving credit risk policies, repayment ability as the major factor that determine the amount to lend to customers, growing deposit and internal audit, credit quality reports are not prepared, credit risk assessment is carried out annually, training on credit risk management are rarely conducted and the bank does no use credit referencing in awarding credit to customers.

5.5 Recommendations

In line with the findings of the study, the following recommendations were made:

I. In making the policies for credit risk, the Board of Directors should take into consideration the dynamism of the economy market and come up with polices that will better help the Kenya Commercial Bank to stay comfortable amidst competition from other banks while avoiding credit risk.

II. Repayment ability should be the main factor that determine the highest amount to lend to customers. Furthermore, collateral depreciation should be taken into considerations.

III. Credit quality reports should be prepared monthly. This aimed at signaling loan loss in the portfolio.

IV. Credit risk assessment should be carried out regularly. For example, once in two months and not annually, since within the year, they could be credit risk red light.

V. Credit referencing should be used in awarding credit to customers.

VI. Despite having acquired professional qualifications, the credit risk officers should be taken for more training, workshops, short courses and seminars to better understand the ever-changing economy market.

5.6 Suggestion for further research

The study only focused on the effect of credit risk management on the financial performance of commercial banks in Kenya: case of Kenya Commercial Bank. This is a small area considering the many banks in Kenya. Therefore, there is need for further research in the following areas:

I. This study should be replicated to a wider population of banks in Kenya.

II. Factors influencing credit risk management.

III. Effect of credit risk mitigation policies on the financial performance of the bank.

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APPENDIX I: QUESTIONNAIRES

Marist International University College

Constituent College of the Catholic University of Eastern Africa

P.O. BOX 24450,00502

Karen, Nairobi.

Dear Participants,

I am a student of Marist International University College (MIUC), a constituent college of the Catholic University of Eastern Africa (CUEA). I am conducting a research on the effect of credit risk management on the financial performance of commercial banks in Kenya: a case study of Kenya commercial bank. Kindly assist in answering the questionnaires honestly by ticking the appropriate responses to the questions.

Your responses will be treated with confidentiality, and will be used for the purpose of research only.

Thank you for your cooperation.

Yours sincerely

Derick

SECTION A: DEMOGRAPHIC INFORMATION

Kindly indicate (√) in the appropriate bracket

1. What is your gender?

   Male [ ] Female [ ]

2. How long have you worked in a bank?

   1-5years [ ] 6-10years [ ] 11-15years [ ] 16 and above [ ]

3. Years of experience in credit risk management

   1-5years [ ] 6-10years [ ] 11-15years [ ] 16 and above [ ]

4. Level of education

   Degree [ ] Masters [ ] PhD [ ] Diploma [ ] Certificate [ ]

SECTION B: CREDIT RISK AND FINANCIAL PERFORMANCE

Using a tick, rate the extent to which you are in agreement with the following statement

Statement	Strongly agree	Agree	Undecided	Strongly disagree	Disagree
5. There is a relationship between credit risk and the profitability of the bank					
6. We have the practice of mitigating credit risk					
7. Effective credit risk management techniques result in reduction in high financial risk					
8. High credit risk can lead to liquidity of the bank					
9. We make profits from credit awarded to customers					

SECTION C: STRATEGIES OF MANAGING CREDIT RISK

10. Who is responsible for approval of Credit risk policy in your bank?

Board of Directors [ ] Senior management [ ] Credit Policy Committee [ ]

11. Which technique/instrument, do you prefer most for Credit Risk Management in your bank?

Credit Approval Authority [ ] Prudential Limits [ ] Risk Ratings [ ]

Risk Pricing or Risk Adjusted Return on Capital [ ] Portfolio Management [ ]

Loan Review Policy [ ]

12. Do you prepare 'Credit Quality Reports' for signalling loan loss in any portfolio?

Yes [ ] No [ ]

13. At what interval is the Credit Risk assessment reviewed in your bank?

A. Monthly [ ] B. Quarterly [ ] C. Bi-annually [ ] D. Annually [ ]

14. Which of the following methods apply to your bank in relation to the validation processes employed in credit risk management?

External audit [ ]

Risk management reviews [ ]

Management certification [ ]

Internal audit [ ]

Regulatory compliance certification [ ]

Control risk self-assessment [ ]

Consultant reviews [ ]

15. The bank organizes frequent staff training on credit management strategies

Yes [ ] No [ ]

16. The bank makes use of credit referencing in awarding credit to customer

Yes [ ] No [ ]

17. Which of the approaches laid out in Basal II is adopted by your bank?

Standardized approach [ ] Foundation internal rating based [ ]

Advanced international rating based [ ] Others […………………………..]

SECTION D: POLICIES TO MITIGATE CREDIT RISK

18. What are the forms of credit risk in your bank?

Interest rate variation [ ] Difficult repayment [ ] Irregular repayment [ ]

Absolute defaulters [ ]

19. Preferred policy in mitigating credit risk

Risk transfer [ ] Risk retention [ ] Risk reduction [ ] Risk avoidance [ ]

20. What are the techniques used to maintain loan to deposit ratio?

Stop lending [ ] Increase collateral [ ] Increase interest rate [ ]

Growing deposit [ ]

21. What factors determine the highest amount to lend to customers?

Repayment ability [ ] Duration of repayment [ ] age of the individual [ ]

Source of income [ ]

LETTER OF RESEARCH AUTHORIZATION

MARIST INTERNATIONAL UNIVERSITY COLLEGE (MIUC)
CONSTITUENT COLLEGE OF THE CATHOLIC UNIVERSITY OF EASTERN AFRICA
P. O. BOX 24450 KAREN, 00502 NAIROBI
TEL: 254-02-2012787 / 2012797; FAX: 254-20-2389939

26TH FEBRUARY, 2019

TO WHOM IT MAY CONCERN

RE: MUNENE DERRICK KURIA (BBM/147/15/16)

<u>Assistance for Research Exercise.</u>

The above named is a student of Marist International University College taking a Bachelor's Degree in Business Management (Finance). As part of the course he is expected to conduct a research in line of his specialization.

The research topic to be carried out is: *Effects of Credit Management in The Financial Performance of Commercial Banks in Kenya: A Case of Kenya Commercial Bank.*

I hereby request for your kind assistance by allowing him to collect the data from your Institution. The data is purely for an academic research and information collected will be handled with high level of confidentiality.

I look forward for your kind assistance.

Thanks in advance.

Yours sincerely,

REGISTRAR

SR. DR. JACKLYNE ALARI OKELLO