DEBT MANAGEMENT POLICIES AND QUALITY OF LOANS IN COMMERCIAL BANKS OF UGANDA

CASE STUDY: CENTENARY BANK LIMITED-MAPEERA HOUSE

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2011-B021-10319

Uganda Martyrs' University

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Submitted by

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DEDICATION

This piece of work is dedicated to my father Mr. Byabagambi Willy, mother Ms. Assimwe Norah, Mr. Mugisha. K. Emmy and Mr. Mulyanga Henry for the financial and moral support they gave me. Your inspiration and training has made me the person I am today.

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Lastly, I am fully responsible for any mistakes and errors contained in this dissertation.

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Abstract

This paper sought to find out the impact of debt management policies on the quality of loans in commercial banks in Uganda. The argument was built on the fact that debt management policies such as collateral security, loan interest rate and credit counselling were put in place to control the quality of loans in Centenary Bank, and so, bank officers as well as the clients must be able to honour them so as to uphold the quality of loans set.

It was for this reason that i sought to find out: the impact of collateral security in ensuring the quality of loans in commercial banks in Uganda, the impact of interest rates on the quality of loans in commercial banks in Uganda and to examine the impact of the credit counseling on the quality of loans in commercial banks in Uganda.

Literature review was discussed objectives by objectives and a questionnaire was used because it was appropriate given the sample size of 55 respondents in their different capacities. The study population was the staff of Centenary bank and her clients using a cross-sectional design with a representative sample of respondents from both groups of people. This number was reliably large enough to yield reliable data and to guard against non-responses.

Findings from the research revealed that: some clients' collateral security is not audited, interest rates are very high though affordable, there is ignorance of the bank rates by some clients, many clients go for credit counselling much as others are forced to go for it, credit counselling has helped the clients know the terms and conditions of the loans they would want.

The following recommendations were suggested: increase in the grace and payback period of the loan according to the different loan amounts received from the bank, during the credit counselling sessions, clients be informed of the interest rates, other debt management policies such as debt restructuring and debt portfolio risks and liability management be introduced, more credit counselling to the bank's clients by the loans' officers, interest rates be reduced to a percentage that can best serve all persons, the loans' officers should make sure that the collateral security of all clients is properly audited.

CHAPTER ONE

1.0 Introduction

The study is focused on finding out the impact of debt management policies on the quality of loans in commercial banks in Uganda. This chapter further covers the background of the study, problem statement, major and specific objectives, research questions, hypothesis, significance of the study, scope of the study and definition of key words.

1.1 Background to the study

Debt management policies refer to guidelines that contribute to the success of the fundamental principles that trigger lending activities.

According to Baker (1987), debt management is the process of a company managing the credit risk up to it's desired levels and the continued efforts to pursue better positions through addressing delinquency management, credit committee process, approval level and risk analysis process.

On the other hand, Vogel (2003), defines debt management as the fundamental principles that underlie lending activities and how management analyses risk. With reference to the above definitions, it seem to indicate that debt management policies refer to the processes through which the management of commercial banks manages debts so as to avoid its negative impact on the institution as well as the clients.

Various financial institutions such as Centenary Bank in particular have developed debt management policies such as credit counseling, interest rate, debt restructuring, collateral security, loan agreement so as to ensure high quality loans. However, the quality of the loans has been appalling because of the high default rate. This is evidenced by a study carried out by Anderson and Faridah (1985) at the bank of Ceylon, where they found out that 30% of the loans among 841 farmers' cooperatives between 1967 and 1970 were in default. The study collected data on family size, cost of production, living expenditure and reasons for default. The findings of the survey indicated that loan diversion and investment in unprofitable enterprises accounted for between 15-19% of the defaults. This therefore seems to imply that despite the numerous debt management policies such as credit counseling, interest rate, debt restructuring, collateral security, loan agreement, the quality of loans has tremendously derailed.

Dankwa (1998) notes that despite the various debt management policies such as credit counseling, interest rate, debt restructuring, collateral security, loan agreement in Senegal, loans have been defaulted hence being a major impediment to sustain the various credit programs such as student loans, housing loans, salary loans to mention but a few in the numerous financial institutions. He further asserts that the few people who pay up their debts subsidize for the majority who default and because of the offending and defaulting, borrowers often foot much of the bill imposed on them to cover risk through higher interest payment.

Cubature (1999) further notes that there is a decline in loan quality in a number of institutions giving credit and he attributes the problem to the significant difference in the definition of unpaid loans and their treatment in the accounts or financial reports of loan institutions. Cubature (1999) in his study classified the borrowers according to their willingness to pay loans based on difference in the social/ economic characteristic. He identified several factors such as poor usage of loans through using them for household welfare instead of the intended purposes for example business improvement or purchase of capital equipment being responsible for default which include the; use of production loans for personal consumption purposes, use of loans by borrowers as substitutes for personal savings rather than debts, loan funds disabused too soon, and high interest rates. Some banks such as Greenland Bank were closed because they were unable to keep up to the debt management policies by lending big sums of money in violation of the Financial Institutions Statute (http://semuwemba.com/2010/03/19/what-exactly-happened-to-kiggundus-greenland-bank/).

With reference to Centenary Bank, despite the fact that the institution's management has put in place numerous loans' policies, the issue of problems of loans such as late repayment, high default rates which compromise the quality of loans have failed to be solved. It is therefore against this background that the researcher seeks to establish the relationship between debt management policies and quality of loans by conducting an empirical study.

1.2 Statement of the problem

Baokye (1993) states that households, even those having members on regular employment use loans as a strategy for meeting long and short term fluctuations in expenditure patterns**.** This is in line with loan repayment framework proposed by (Farukh 1992) which states that emergencies are un-predictable, they are an additional bundle to fluctuation in household expenditure and exert the greatest stress on household resources which leads to only having an option of seeking loans that they seem to fail paying back.

Marriot (2000) argues that the success of their organization rests on their employees of the commercial bank. He continues to assert that the quality of the loans depends upon the bank employees who thrive on helping the clients and see problems as opportunities and cannot rest until a solution has been found. He further asserts that many of today's successful organizations go to great lengths to look after their clients.

Anderson and Faridah (1985) also state that loan problems arise when a financial institution's credit objectives and policies are not clearly communicated and adhered to. Each financial institution defines its loan terms and repayment schedule; loans are then classified as beginning in arrears or in default, depending on the temporal deviation of the actual repayment from the agreed repayment schedule.

Sterns (1993) equally shares this when she categorically asserts that it is the lender not the borrower who brings about the quality of loans to deteriorate through the different credit programs such salary loans, agricultural loans. Mclenighan (1980) notes that financial institutions that fail to maintain loan loss below 5% in relation to their average annual collection may generate vicious spiral that make financial goals unattainable. Default seems to make it difficult to create financially viable systems of savings and credit. This is so because it erodes the value of loan investment and the amount of revenue that can be realized from the operation and it does this by reducing the difference between borrowing and lending rates of interest.

Despite the formulation and adoption of many debt management policies such as credit counseling, interest rate, debt restructuring, collateral security, loan agreement, the quality of loans has continued to be compromised thereby declining. It is for this reason therefore that the researcher seeks to find out how debt management policies affect the quality of loans in commercial banks and Centenary Bank Limited in particular as a case study to avoid quality of the loans compromise hence avoiding bank or institution collapse.

1.3 Purpose of the study

The study is to find out the impact of debt management policies on the quality of loans in commercial banks, Centenary Bank Limited in particular.

1.4 Objectives of the study

I. To find out the impact of collateral security in ensuring the quality of loans in commercial banks in Uganda.

II. To find out the impact of interest rates on the quality of loans in commercial banks in Uganda.

III. To examine the impact of the credit counseling on the quality of loans in commercial banks in Uganda.

1.5. Research questions

I. What is the impact of collateral security on the quality of loans in commercial banks in Uganda?

II. What is the impact of interest rates on the quality of loans in commercial banks in Uganda?

III. What is the impact of the credit counseling on the quality of loans in commercial banks in Uganda?

1.6 Research hypothesis

Debt management policies significantly impact the quality of loans in commercial banks of Uganda.

1.7 Justification of the study

The study is about debt management policies and quality of loans in commercial banks of Uganda. This research is being carried out in order to help investors make informed investment decisions especially when they are to start up banks or other money lending institutions, help other researchers get knowledge about the increasing rate of loan default, help Centenary Bank decide on how best it can improve the debt management policies to achieve a good quality of loans.

The research is being carried out to enable the researcher attain the bachelor's degree in Business Administration and Management.

The study is being carried out now because clients of Centenary Bank need not lose their property in form of collateral security for failure to pay back the loan received and the bank should also not lose it's money in form of loans as well as the loans losing value anymore because of defaulting by the clients. Failure to conduct the research, the quality of loan will deteriorate which will bring about the lack of customers' trust in the bank hence being declared bankrupt overtime.

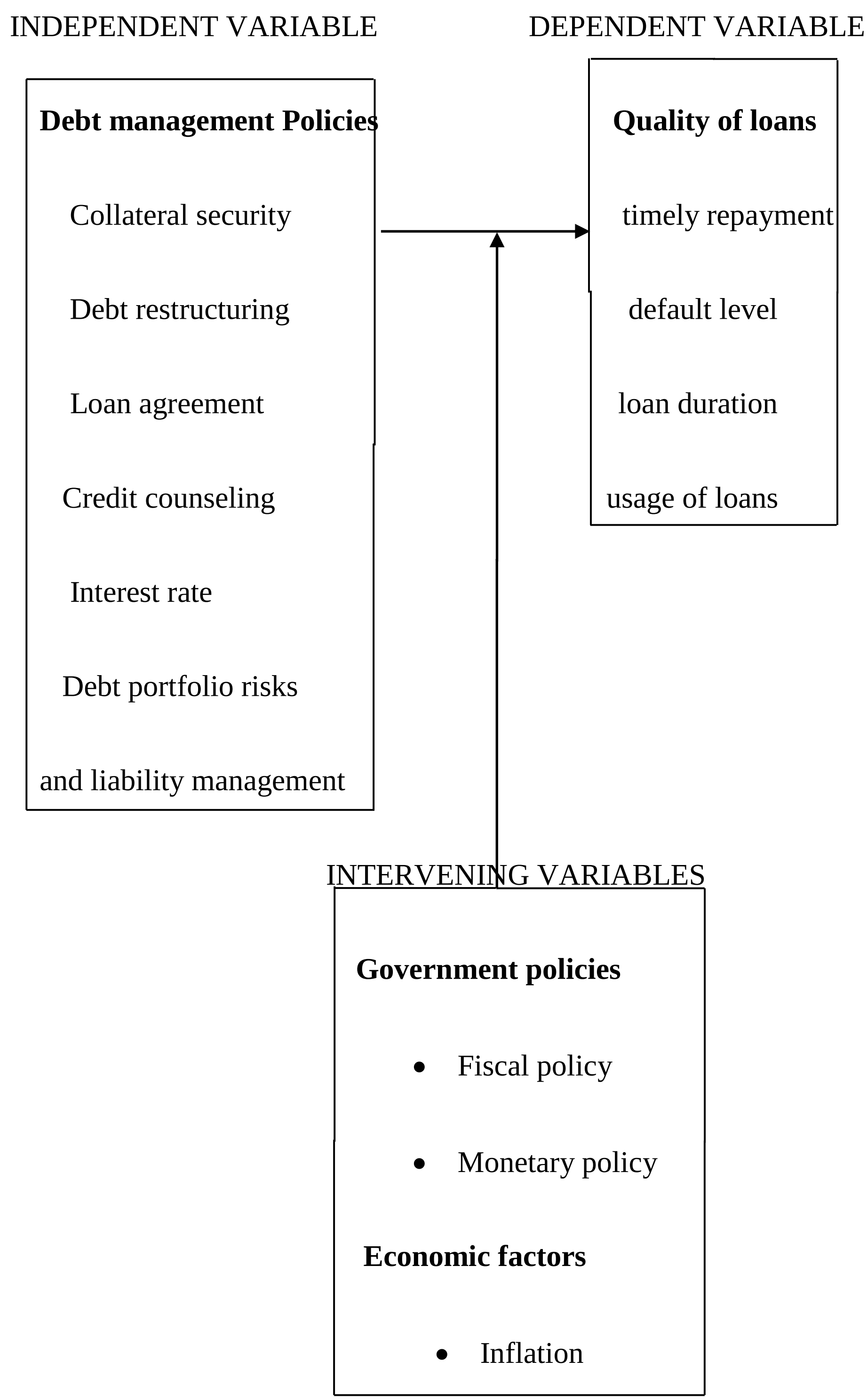
1.8.0 Scope of the study

The study examined how the different debt management policies such as credit counseling, interest rate, debt restructuring, collateral security, loan agreement can bring about an improvement in the quality of loans.

The study was conducted at Centenary Bank limited Mapeera House found in Kampala. The main reason for the selection of the case study is because it has a good number of branches which then signifies a large number of customers laying a strong foundation for research with aid from a large respondent area.

The researcher used the questionnaire method to collect the information from the different respondents both employees of Centenary Bank as well as the customers at all levels. This is based on the fact that Centenary Bank Limited now serves over one million customers across the country with the help of the 39 branches and 80 Automated Teller Machines. The research lasted a period of three calendar months and twenty one days to completion covering or using bank data of the past three years.

Figure 1 Conceptual frame work



Source: Researcher

The conceptual framework indicates the relationship existing between the independent variables which include collateral security, debt restructuring, loan agreement, credit counseling, interest rate, debt portfolio risks and liability management, dependent variables and intervening variable's constructs which help to measure the quality of loans.

The intervening variables which include the fiscal and monetary policies equally have an impact on the quality of loans. This was done by identifying the different debt management policies as well as the impact they have on the quality of loans as shown above. The quality of loans can be ascertained through timely repayment, the default level, usage of loans and the loan duration.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter represents the existing literature on the impact of debt management policies on the quality of loans in commercial Banks in Uganda. This is to be done through critically reviewing the literature of all the variables both independent and dependent with the joinery of the intervening variables. It also reveals the relationship between debt management policies and quality loan portfolio. The literature review is to be conducted objectives by objectives.

2.1 Overview of related literature

This chapter comprises of the review of related literature, analytical approach to the problem, relationship between debt management policies and quality loan assortment as well as the conclusion.

2.1.1 Collateral security and quality of loans in commercial banks

According to Chan and Kanatas (1985); Bester (1987); Besanko and Thakor, (1987a, 1987b), the willingness of the entrepreneur to pledge collateral positively influences the quality of the loan, as perceived by the bank. They further state that collateral has a signaling role: the borrower signals the real value and belief in the quality of the project to the bank. It seems to indicate that in equilibrium, low risk borrowers pledge more collateral than high risk borrowers. A second category of theories as developed by Clemenz (1986); Boot et al. (1991), Boot and Thakor, (1994); Chen, (2006) views collateral as an incentive device of checking the quality of loans.

They further state that the risk of losing the collateral pledged seem to prevent any risk shifting behaviour by the (high risk) entrepreneur after receiving the loan hence seemingly improving the quality of loans.

On the contrary, Price (2004) argues that loans are very important when well managed using the various policies such as collateral security governing their use. He continues to state that students from low-income and middle-income families in the United States of America were over-represented among borrowers in 1999-2000 while students from high-income families were less likely to borrow for college tuition. Black students were also over-represented among borrowers. The over-representation of lower-income students and African-Americans among borrowers raises concern because these students continue to attend and graduate from college in smaller numbers than their population warrants. This is because they are more likely to fail paying for such debts in time. Price (2004) does not agree with the above scheme because students from low and medium income earning families were less likely to clear the debt on time hence lose their academic papers presented as collateral security for the school fees loan and more so less likely to apply for undergraduate studies.

Collateral as a debt management policy is expected to have a more important effect in the quality of loans. Results of the demand-supply disequilibrium model for bank debt, estimated by Atanasova and Wilson (2004), indicate that collateral is an important determinant of the quality of loans. Jensen and Meckling (1976) further state that the longer term of the loan would give the debtor enough time to engage in risk shifting behavior and therefore, the risk of losing the collateral pledged would prevent the borrower to switch to a higher risk project. Hence, collateral pledging is expected to increase the supply of long term debt. For short term bank debt, the impact of collateral on the loan supply is expected to be lower. Entrepreneurs applying for short term bank loans signal their belief in the firm that the loan received shall be paid back and collateral saved from being sold by the financial institution where the loan was got from. This then seems to imply that collateral security is fundamental in ensuring the quality of loans in commercial banks and hence must be properly managed by the clients and bank management.

2.1.2 Interest rates and quality of loans in commercial banks.

Jimenez, Gabriel and Saurina (2005), defines interest as the amount a borrower pays in addition to the principal of loan to compensate the lender for the use of the money while Interest rates are the expressions of interest as a percentage of the principal. Whereas interest rate is a rate which is charged or paid for the use of money, an interest rate is often expressed as an annual percentage of the principal. It is calculated by dividing the amount of interest by the amount of principal. In general, interest rates rise in times of inflation, greater demand for credit, tight money supply, or due to higher reserve requirements for banks. A rise in interest rates for any reason tends to dampen business activity because the debt becomes more expensive thereby seemingly affecting the quality of loans in commercial banks.

Brown and Karl (2008) also argue that debt management policies such as interest rate are used to control the quality of loans. Based on the study they carried out by Brown and Karl (2008) on three countries which include Germany, Great Britain, the United States of America on consumer debt, the findings of the study revealed that in all those countries, consumer debt seemed to have increased over the years. This therefore has led to an increase in the interest rates because of increased borrowing by the households to finance the debts despite the different debt management policies in the commercial banks as well as the households. Brown and Karl (2008) further argue that it is of paramount importance to increase debts for household assets such as commercial buildings are also increasing because it is a sign of clientele confidence and trust in the lending institutions. However, they disagree with the above policies because some of the debts or loans turn into bad loans which are not easily paid back by the borrower and hence loss of property in form of security. They reach a conclusion of, "*It is surprising, therefore, that there is a lack of econometric analysis at the household level.*" which implies the lack of proper debt management policies. Much as the paper is about debt management policies and quality of loans in commercial banks, the above paper presented by Brown and Karl (2008) are of great resemblance because some clients acquire loans to set up household assets and yet are able to repay them with other accompanying charges. In addition, just like how the Germans, Americans and British fail to pay back the loans, so do Ugandan clients. The commercial banks as well as the central bank in Uganda should set up more strict policies pertaining debt management to uphold the quality of the loans thereby protecting the banks and the clients.

According to the Bank of Uganda Act (2000), interest rate decisions are taken by the Bank of Uganda and reported to all commercial banks. The rate is set independently by the Bank, depending on its forecast of the future inflation and other economic variables like estimate of growth of real economic activity, to influence lending behavior of commercial banks so as to foster stability and a sound financial system.

Shankar and Sanjoy (2008) argue that Banks accept deposits for the purpose of lending for the most important functions of the banks is to create credit. They continue to assert that interest on savings bank deposits and interest on export credit and interest on small loans up to Rs2 lakh which are administered are used by clients to manage the loans as the debt management policy. It is the primary duty and function of the Urban Co-op. Banks to safeguard the interest of depositors and whenever deposits are accepted, the bank agrees and undertakes to repay the amount of deposits with interest to the depositor on maturity. The ownership of the deposit amount vests with the customer, and the custody of the deposit amount is with the Banker. So whenever advances and loans are sanctioned to shareholders / members of the Bank, the Banker has to take utmost care to see that the borrower repays the amount of loan with interest so as to enable the Banker to repay the amount of deposit with interest to the customer.. If the Banker is reluctant and negligent towards recovery of loan amounts and advances, it will be very difficult for the bank to repay the amount of deposit amounts to the customers on maturity. Therefore, it seems to imply that failure to pay back the loan advanced to the client would negatively affect the quality of the loans because the funds should have been given to another client.

2.1.3 Credit counseling and quality of loans in commercial banks.

According to Gal and Mcshane (2012), credit counseling is yet another policy that can be used to bring about a high quality of loans in any commercial banks as well as being of great help to the client. They argue that it typically involves instituting a debt management plan by a credit counselor. These plans are managed by a credit counselor and require consumers to make a single monthly payment to the counselor. They continue to state that this policy is meant to help consumers who cannot afford to pay off their debts over time from savings and income without any changes to the structure of their debts. However, this strategy typically requires substantial lifestyle changes for example expense reduction. Such people therefore dedicate such deductions to one account from which the bank withdraws a specific amount of money as demanded by the client.

Much as their study is based in the United States of America and the paper is based in Uganda, there is no substantial difference between the two countries being far apart. This seems to imply that the findings in the U.S.A are same as those of Uganda because the debt policies used by the American are similar given the fact that the dollar is the determinant currency of trade in Uganda. In order not to lose property, clients have to do everything possible such as using the loan for the intended purpose, keeping in mind the terms and conditions of the loan acquisition so as to pay back the loan acquired from the bank. This therefore seems to imply that the loan given to the client has been used for the intended purpose hence bringing to light the quality of the loan being high for the client will always keep on going back to the financial institution for more.

2.2 Summary of literature

Jimenez, Gabriel and Saurina (2005), Brown and Karl (2008), Shankar and Sanjoy (2008) agree that interest rates are very important in ensuring high quality loans in commercial banks and state that high interests bring about the deterioration of the quality of loans by clients failing to pay back the loan received from the bank.

Jensen and Meckling (1976) ,Atanasova and Wilson (2004), Chan and Kanatas (1985); Bester (1987); Besanko and Thakor, (1987a, 1987b),Clemenz (1986); Boot et al. (1991), Boot and Thakor, (1994); Chen, (2006) agree that collateral is an incentive device of checking the quality of loans in commercial banks because clients fear the risk of losing the collateral pledged after receiving the loan hence seemingly improving the quality of loans. Despite the presence of the debt management policies, the quality of loans may not improve if the employees of the bank do not thrive on helping clients and see problems as opportunities. This is supported by Marriot (2000) who argues that the success of their organization rests on their people which is in agreement with Sundas et al (2009). He further asserts that many of today's successful organizations go to great lengths to look after their clients. Therefore, from the above literature review, the researcher seeks to bridge the gaps envisaged above by using the results obtained from the study that will be conducted.

CHAPTER THREE

3.0 Introduction

This chapter presents the research: methodology, design, the: study population, sample size, data collection instruments, data sources, reliability of the data obtained, data processing, it's analysis and presentation, variable measurement, the ethical considerations and the study limitations.

3.1 Research Methodology

This specifies the research design used criteria for sample selection, data sources, instruments used for data collection, data processing, and analysis. The chapter ends with a review of limitations encountered during the study.

3.2 Research Design

This study had both the analytical and cross- sectional design. It identified elements of debt management policies and scrutinized how they affected the quality of loans. Research probed and linked the relationship between the debt management policies and the quality of loans in Centenary Bank. It was a combination of cross-sectional and analytical study mainly based on secondary data, but also accomplished with primary data obtained through in-depth interviews with technical staff who work in the loans department as well as the clients.

3.3 Study Population

The population comprised of 9 technical staff of Centenary Bank and 81 from the clientele, hence the total population targeted was 100 respondents.

3.4 Sample size

Using purposive sampling design, data was collected from 5 technical staff from Centenary Bank Limited, loan's department and 50 from the clientele, hence the total sample size was selected for interview was 55. Purposive sampling design was used because only technical staff was targeted to respond to the questionnaire; respondents were randomly sampled.

Figure 2 Sample size selection

Source	Total population	sample size
CERUDEB/STAFF	9	5
Clientele	81	50
Total	**100**	**55**

3.4 Data Collection Instruments

3.4.1 Questionnaire

According to Amin (2005), a questionnaire is a carefully designed instrument for collecting data in accordance with specifications of the research questions and hypothesis. A questionnaire is a form containing a series of questions and providing space for their responses to be filed in by the respondents themselves. Using this method, the researcher wrote a set of questions and distributed them to the different respondents.

This method was chosen because questionnaires are filled at the respondent's convenience which increases the chances of getting valid information. The researcher used both closed and open ended questions. Closed ended questions had alternative answers presented before the respondents and open ended questions gave the respondents freedom to give their own views in a number of ways; all written in a clear language convenient for the respondents.

This method was used because it provided detailed information about the research problem for it saves time. Primary data was collected using questionnaires which were distributed to different staff member of the loan's department of the bank because they have experience in credit operations as well as the customers who have used the credit services.

3.5 Data sources

3.5.1 Primary Data

Primary data was obtained through questionnaires distributed to loan's department staff in the bank as well as the customers of the bank that have the experience with the operation of the banks and their debt management policies.

3.5.2 Secondary Data.

Secondary data was obtained from text books, journals, the internet and annual reports of the bank. This data was used to explain the independent variables against the dependent variables to express the relationship between the debt management policies and the quality of loans in commercial banks.

3.6 Validity

The validity of an instrument is defined as the ability to an instrument to measure what it is intended to measure. In this study, the validity of the instruments was established by a panel of experts through an assessment of selected items in the instruments that ensured that the instruments measure to the expectations. After identifying the vague and ambiguous questions, corrections were made and final instruments prepared. The results of the questionnaire helped the researcher to clearly understand and know how debt management policies influence the quality of loans thereby making proper recommendations to the case study.

3.7 Reliability

The reliability of an instrument is defined as the consistence of the instrument in picking the needed information. The researcher tested the inter-item consistency reliability to ensure that there is the consistency of respondents 'answers to all items in the measure using the primary source.

3.8 Data Processing, Analysis and Presentation

Data collected was compiled, sorted, edited, classified, coded into a coding sheet and analyzed using a Computerized Data Analysis tool/package called SPSS (Statistical Package for Social Scientists). This package was used to generate descriptive statistics of the respondents' reaction about how debt management policies influence the quality of loans in commercial banks.

3.9 Measurement of variables

In this study, the measurement of variables was done individually. This study had one independent variable and one dependent variable. This was measured by identifying its attributes such as collateral security, debt restructuring, loan agreement, Credit counseling, Interest rate and Debt portfolio risks and liability management. These were measured in terms of the degree of divergence between the accepted standards and the actual prevailing practices. Therefore, a set of statements was used and applied to a five-point likert scale ranging from strongly agree (5), Agree (4), Not sure (3), Disagree (2) to strongly disagree (1).

3.10 Ethical consideration

The researcher informed the respondents that the information provided was used for only study purposes and their identity was kept with secrecy and that no sales will be made of the researchers information to any competitor institution. However, he assured them that the feedback was to be taken back to the bank so as to adjust the debt management policies where necessary so as to improve or maintain the quality of loans.

3.11 Study limitations

The researcher encountered the following limitations:

i. The researcher met a problem of limited finances. The research required a lot of financing which if the researcher had perhaps much more information would have been collected.

ii. Time constraint; the researcher is a student and found a problem of allocating enough time to do the research. He however utilized the limited time available to do the research. The respondents too never had enough time at their disposal hence time being a constraint.

iii. Some respondents were not willing to answer the questions firstly because of undue influence from their peers and secondly, to some they saw no gain whatsoever to be derived from their responses.

iv. Delays to fill questionnaire which arose due to busy schedules of technical staff that were targeted. However, this was overcome by scheduling follow up on a weekly basis until all the questionnaires distributed were fully responded to.

CHAPTER FOUR

PRESENTATION, INTERPRETATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

In this chapter, the findings obtained from the field on the debt management policies on the quality of loans in commercial banks in Uganda, Centenary Bank in particular are presented, analysed and discussed according to the research objectives.

Table 4.1 Respondents by gender

		Frequency	Percent (%)
Valid	male	24	48.0
	female	31	52.0
	Total	55	100.0

Source: Primary data 2014

Table 4.1 shows the gender of the 55 respondents which includes 50 clients and 5 staff members. These constitute 24 males with a percentage of 48% and 31 female respondents with 52% .This therefore seems to indicate that it is mostly the female clients who get loans from the bank.

Table 4.2 Time allowed to pay back the loans

		Frequency	Percent (%)
Valid	1 month	3	6.0
	1 year	29	58.0
	2-5years	13	26.0
	5-10years	5	10.0
	Total	50	100.0

Source: Primary data 2014

In the table 4.2, results show that only 3 respondents with a percentage of 6.0 received a loan payback period of 29 respondents with a percentage of 58 received a loan payback period of 1 year and 13 respondents with a percentage of 26.0 got a loan payback period of 2-5 years. According to the results in table 4.2, it seems that 58% of the clients have to pay back the loan within a period of one year which has seriously affected the business profitability in such a way that businessmen have to keep in a viscious cycle of borrowing to ensure safety of their collateral as well as positive image before the bank for the period of time is too limited for the clients to pay back the loan and it’s other charges such as interest. This applies to all the different loans because they have different payback periods, which is a way of keeping the quality of loans in Centenary Bank high.

Table 4.3 Collateral security presented for loan advancement

		Frequency	Percent (%)
Valid	Building	14	28.0
	Land	26	52.0
	Business	8	16.0
	Motor vehicle	2	4.0
	Total	50	100.0

Source: Primary source 2014

Table 4.3 shows 14 respondents with a percentage of 28 who presented their buildings as collateral security, 26 respondents with a percentage of 52 who presented their pieces of land as collateral, 8 respondents with a percentage of 16 who presented their businesses as collateral and 2 respondents with a percentage of 4 who presented their motor vehicles as security. This then seems to indicate that collateral security in particular land, with 52% response rate, is key to loan acquisition. This is backed by Chan and Kanatas (1985); Bester (1987); Besanko and Thakor, (1987a, 1987b) where they state that Collateral has a 'signaling role': the borrower 'signals' the real value and belief in the quality of the project to the bank. Other authors such as Clemenz (1986); Boot et al. (1991), Boot and Thakor,(1994); Chen, (2006) as view collateral as an incentive device of checking the quality of loans. They further state that the risk of losing the collateral pledged seem to prevent any risk shifting behaviour by the (high risk) entrepreneur after receiving the loan hence seemingly improving the quality of loans.

Table 4.4 Audit of collateral security before loan advancement

		Frequency	Percent (%)
Valid	YES	52	94.5
	NO	3	5.5
	Total	55	100.0

Source: Primary data 2014

Table 4.4 shows that 52 respondents with 94.5% agreed that collateral security is audited whereas 3 respondents with 5.5% never agreed that collateral security is audited. From the above results therefore, it seems to imply that at times the bank management relaxes to audit collateral security of the clients hence compromising the quality of loans.

Table 4.5 Loan interest rates at Centenary Bank by the different respondents

		Frequency	Percent (%)
Valid	5-10%	1	1.8
	20-25%	48	87.3
	25% and above	6	10.9
	Total	55	100.0

Source: Primary data 2014

The tables 4.5 above shows that 48 respondents with 87.3% received loans at an interest rate in the range of 20-25%, 6 respondents with 10.9% have received loans at a rate of 25% and above and only one respondent with 1.8% has received an interest rate within the range of 5-10%. Results therefore seem to indicate that the interest rate of a loan at Centenary Bank is very high despite being able to be paid back by the clients which may cause loan defaulting hence affecting the quality of loans. This is supported by Saurina (2005) who states that high interest rates tend to dampen business activity because the debt becomes more expensive hence the borrower being in position of failure to pay back the loan hence compromising with the quality of loans.

Table 4.6 Affordability of interest rates

		Frequency	Percent (%)
Valid	Strongly Agree	9	16.4
	Agree	27	49.1
	Disagree	18	32.7
	Strongly Disagree	1	1.8
	Total	55	100.0

Source: Primary data 2014

Table 4.6 above shows that 9 respondents with 16.4% strongly agreed, 27 respondents with 49.1% agreed that the interest rates are affordable, 18 respondents disagreed and I respondent strongly disagreed that the interest rates are affordable. According to the results in the table 4.6, it seems to imply that despite the interest rates being high, clients of Centenary bank are still willing to use the loans and pay back with lots of difficulty. Given the kind of difficulty in which the clients pay back the loans therefore, the bank management should try and reduce the interest rates to increase the ease of loan repayment.

Table 4.7 Provision of credit counselling

		Frequency	Percent (%)
Valid	Strongly Agree	15	27.3
	Agree	34	61.8
	Disagree	6	10.9
	Total	55	100.0

Source: Primary data 2014

Table 4.7 illustrates that 15 respondents with 27.3% strongly agreed that Centenary bank provides credit counselling, 34 respondents with 61.8% agreed that Centenary bank provides centenary bank to it's clients and 6 respondents never agreed to it. According to Gal and Mcshane (2012) credit counselling is important to the bank's loan quality as well as the clients because it helps clients who cannot pay back the loan on time to dedicate such deductions to one account from which the bank withdraws a specific amount of money as advised by the credit counsellor. This seems to imply that the bank honours the credit counselling debt management policy to improve and uphold its loan quality.

Table 4.8 Clients who receive credit counselling voluntarily

		Frequency	Percent (%)
Valid	Yes	41	82.0
	No	9	18.0
	Total	50	100.0

Source: Primary data 2014

Table 4.8 illustrates that 41 of the client respondents with 82% went for the credit counselling voluntarily and 9 client respondents with 18% never went there voluntarily but are forced by the ever changing economic situation especially inflation.

Table 4.9 It has helped me pay back the loan at the right time

		Frequency	Percent (%)
Valid	Strongly Agree	23	46.0
	Agree	18	36.0
	Disagree	5	10.0
	Strongly Disagree	4	8.0
	Total	50	100.0

Source: Primary 2014

From the field study, 23 respondents with 46% strongly agreed that credit counselling has helped them pay back the loan at the right time, 18 respondents with 36% agreed that credit counselling has helped them pay back the loan at the right time, 5 respondents with 10% disagreed that credit counselling has helped them pay back the loan at the right time and 4 respondents with 8% strongly disagreed that credit counselling has helped them pay back the loan at the right time. This is very dangerous to the quality of the loans and this is supported by Dia (1986) who argues that when late repayments are eventually recovered, interest income is damaged because the bank's assets are unproductive for these losses. Furthermore, late payments cause liquidity shortfalls. In order to meet loan demands or operating costs the institution may have to borrow high cost short-term loans. This eventually will raise the average cost of funds to meet liquidity demands and so it may have to restrict the loans.

Table 5.0 Credit counselling as an avenue to understand the terms and conditions to get a loan

		Frequency	Percent (%)
Valid	Yes	37	74.0
	No	13	26.0
	Total	50	100.0

Source: Primary data 2014

From the study, 37 respondents with 74% agreed that Credit counselling has helped them understand the terms and conditions to get a loan and 13 respondents with 26% never agreed that credit counselling has helped them understand the terms and conditions to get a loan. This seems to imply that credit counselling as a debt management policy has helped clients understand the terms and conditions to get a loan hence maintaining and improving the quality of loans in Centenary bank. This is supported by Gal and Mcshane (2012) who state that this policy is meant to help consumers who cannot afford to pay off their debts over time from savings and income without any changes to the structure of their debts.

Table 5.1 Credit counselling as an avenue to understand the collateral security to present for loan advancement

		Frequency	Percent (%)
Valid	Strongly Agree	20	40.0
	Agree	25	50.0
	Disagree	5	10.0
	Total	50	100.0

Source: Primary data 2014

Table 5.1 shows that 20 respondents with 40% strongly agreed that credit counselling has helped them understand the collateral security to present for loan advancement, 25 respondents with 50% agreed that credit counselling has helped them understand the collateral security to present for loan advancement and 5 respondents with 10 % disagreed that credit counselling has helped them understand the collateral security to present for loan advancement. This seems to imply that indeed credit counselling has helped them understand the collateral security to present for loan advancement thereby not losing property. This is supported by Gal and Mcshane (2012) who state that in order not to lose property, clients have to do everything possible such as using the loan for the intended purpose, keeping in mind the terms and conditions of the loan acquisition so as to pay back the loan acquired from the bank.

Table 5.2 Credit counselling has helped me honor my loan obligation

		Frequency	Percent (%)
Valid	Strongly Agree	23	46.0
	Agree	25	50.0
	Disagree	2	4.0
	Total	50	100.0

Source: Primary data 2014

Table 5.2 shows that 23 respondents with 46% strongly agreed that credit counselling has helped them to honour their loan obligations, 25 respondents with 50% agreed that credit counselling has helped them to honour their loan obligations and 2 respondents with 4 % disagreed that credit counselling has helped them to honour their loan obligations. This seems to indicate that credit counselling is key and very important to the clients because they are able to understand their loan obligation and pay back the loan on time hence helping Centenary Bank have the quality of her loan positive.

Table 5.3 the loans got from Centenary Bank Limited for

		Frequency	Percent (%)
Valid	Business enrichment	23	41.8
	Construction	16	29.1
	school fees	11	20.0
	Other	5	9.1
	Total	55	100.0

Source: Primary data 2014

The table 5.3 shows that 23 respondents with 41.8% use the loans for business enrichment, 16 respondents with 29.1% use the loans for construction purposes, 11 respondents with 20% use the loans for school fees payment and 5 respondents with 9.1% use the loans for other purposes such as livestock farming, purchase of land as well as party funding. This therefore seems to imply that the loans are used in ventures where they can easily be realized hence upholding to the quality of the loans in Centenary Bank.

Table 5.4 The most significant challenges in paying back the loan

	Frequency	Percent (%)

Valid	High Interest rate	26	52.0
	Short grace period	12	24.0
	changes in economic situation	11	22.0
	other (specify)	1	2.0
	Total	50	100.0

Source: Primary data 2014

Table 5.4 shows that 26 respondents with 52% are faced with a challenge of high interest rate in paying back the loan, 12 respondents with 24% are faced with a challenge of short grace period in paying back the loan, 11 respondents with 22% are faced with the challenge of the changes in the economic situation and 1 respondent with 2.0% is faced with a challenge of high taxes which in turn lead to high commodity prices thereby being unable to purchase the goods as budgeted for.

Table 5.5 Debt management policies are in place

	Frequency	Percent (%)

Table 5.5 Debt management policies are in place

		Frequency	Percent (%)
Valid	Yes	5	100.0

Source: Primary data 2014

Table 5.5 shows all the 5 respondents acknowledging the presence of debt management policies in Centenary Bank. This seems to imply that due to the presence of debt management policies, the quality of loan is high.

Table 5.6 the different loan policies in Centenary Bank

		Frequency	Percent (%)
Valid	Collateral security	3	60.0
	loan agreement	1	20.0
	debt portfolio risks and liability management	1	20.0
	Total	5	100.0

Source: Primary data 2014

Table 5.6 indicates that 3 respondents with 60% agreed of the presence of collateral security as a debt management policy in Centenary Bank, 1 respondent with 20% agreed of the presence of loan agreement as a debt management policy in Centenary Bank and 1 respondent with 20% agreed of the presence of debt portfolio risks and liability management as a debt management policy in Centenary Bank. This seems to imply that debt management policies in Centenary Bank exist and are being honoured by the staff members responsible.

Table 5.7 The loan policies are formulated and implemented in the most appropriate way at Centenary Bank

		Frequency	Percent (%)
Valid	Strongly Agree	2	40.0
	Agree	3	60.0
	Total	5	100.0

Source: Primary data 2014

Table 5.7 illustrates that 2 respondents with 40% strongly agreed that the loan policies are formulated and implemented in the most appropriate way at Centenary Bank and 3 respondents agreed that the loan policies are formulated and implemented in the most appropriate way at Centenary Bank. This seems to imply that before the formulation and implementation of the debt management policies, a lot of research is done in order to avoid compromising the quality of the quality of the loans.

Table 5.8 According to my experience in Centenary Bank, the debt management policies properly address the quality of loans

		Frequency	Percent (%)
Valid	Strongly Agree	2	40.0
	agree	3	60.0
	Total	5	100.0

Source: Primary data 2014

Table 5.8 shows that 2 management respondents with 40% strongly agreed that debt management policies properly address the quality of loans and 3 management respondents with 60% agreed that debt management policies properly address the quality of loans.

Table 5.9 The collateral security presented by clients belongs to them

		Frequency	Percent (%)
Valid	Strongly Agree	2	40.0
	Agree	3	60.0
	Total	5	100.0

Source: Primary data 2014

From the field study, table 5.9 shows that 2 management respondents with 40% strongly agreed that the collateral security presented by the clients belongs to them and 3 management respondents with 60% also agreed that the collateral security presented by the clients belongs to them. This therefore seem to imply that the bank does not find a problem of ownership in case the collateral is to be taken over by the bank when the client has failed to pay back the loan hence checking the quality of loans.

Table 6.0 The interest rates are not affected by the economic changes in the country

		Frequency	Percent (%)
Valid	Strongly Agree	1	20.0
	Agree	1	20.0
	Disagree	3	60.0
	Total	5	100.0

Source: Primary data 2014

Table 6.0 shows that 1 respondent with 20% strongly agreed that interest rates are not affected by the economic changes in the country,1 respondent with 20% agreed that interest rates are not affected by the economic changes in the country and 3 management respondents with 60% strongly disagreed that interest rates are not affected by the economic changes in the country. This therefore seems to imply that the interest rates are affected by economic changes hence being an impediment on the quality of loans in Centenary Bank.

Table 6.1 The interest rate is clearly understood by the clients

		Frequency	Percent (%)
Valid	Strongly Agree	1	20.0
	Agree	4	80.0
	Total	5	100.0

Source: Primary data 2014

From the field study illustrated by table 6.1, 1 respondent with 20% strongly agreed that interest rates are clearly understood by the clients of Centenary Bank and 4 respondents with 80% agreed that interest rates are clearly understood by the clients of Centenary. This seems to imply that clients know the interest rates they are subject to depending on the kind of loan they are to get from the bank hence being able to pay back the loan on time and having the quality of the loan not compromised as a result of default.

Table 6.2 The loan default is caused by the high interest rate

		Frequency	Percent (%)
Valid	Disagree	4	80.0
	Strongly Disagree	1	20.0
	Total	5	100.0

Source: Primary data 2014

Table 6.2 shows that 4 management respondents with 80%, disagreed that the high interest rate is the cause of loan default and 1 respondent from the management with 20%, strongly disagreed that loan default is as a result of the high interest rates. This seems to imply that there are other factors that lead to loan default for example failure to use the loan for the intended purpose which then bring about a decline in the quality of loans in Centenary Bank other than the high interest rate.

Table 6.3 The debt management policies are effective and efficient to control the quality of loans in Centenary Bank

		Frequency	Percent (%)
Valid	Strongly Agree	1	20.0
	Agree	4	80.0
	Total	5	100.0

Source: Primary data 2014

Table 6.3 shows that 1 respondent with 20% strongly agreed that the debt management policies are effective and efficient to control the quality of loans in Centenary Bank and 4 other respondents with 80% also agreed that the debt management policies are effective and efficient to control the quality of loans in Centenary Bank.

Table 6.4 The general community appreciates the terms and conditions of the loans

		Frequency	Percent (%)
Valid	Agree	5	100.0

Source: Primary data 2014

Table 6.4 illustrates that all the 5 respondents with 100% agreed that the general community appreciates the terms and conditions of the loans. This seems to indicate that the terms and conditions are favourable and so the quality of the loans is high since people may always want to get more loans.

Table 6.5 The fiscal policy affects the quality of loans in Centenary Bank limited

		Frequency	Percent (%)
Valid	Agree	4	80.0
	Strongly Disagree	1	20.0
	Total	5	100.0

Source: Primary data 2014

Table 6.5 shows that 4 management respondents with 80% agreed the fiscal policy set by the Central Bank affects the quality of loans in Centenary Bank limited and I respondent with 20% disagreed that the fiscal policy such as increased government expenditure set by the Central Bank affects the quality of loans in Centenary Bank limited.

Table 6.6 The monetary policies affect the quality of loans of loans in Centenary Bank

		Frequency	Percent (%)
Valid	Strongly Agree	5	100.0

Source: Primary data 2014

From the table 6.6, 5 respondents strongly agreed that monetary policies set by the Central Bank affect the quality of loans of loans in Centenary Bank. This seems to imply that Centenary Bank can have her debt management policies in place but if it is a decision from the central bank, and then it is in no position to object the decisions of the Central Bank. This however, may improve the quality of the loans or cause deterioration in the quality of loans.

Table 6.7 Quality of loans is affected by inflation.

	Frequency	Percent (%)
Valid Strongly Agree	5	100.0

Source: Primary data 2014

From the table 6.7, all the 5 management respondents strongly agreed that the quality of loans is affected by inflation. This therefore seems to imply that despite the effectiveness and efficiency of the debt management policies, the quality of loans must deteriorate during the inflationary periods.

4.1 Conclusion

Generally, according to responses from the respondents as shown above, most of them had positive responses despite the fact that a few had negative responses, for they were ignorant of some debt management policies such credit counselling and policy practices such as collateral auditing.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter summarises the findings of the study on the debt management policies on the quality of loans in commercial banks in Uganda, Centenary Bank in particular. This is divided in four subsections: summary of findings, conclusion, recommendations and areas of further study.

5.1 Summary of finding

The following are the summarised findings of the study. These are presented on the three objectives of the study: To find out the impact of collateral security in ensuring the quality of loans in commercial banks in Uganda, to find out the impact of interest rates on the quality of loans in commercial banks in Uganda and to examine the impact of the credit counseling on the quality of loans in commercial banks in Uganda.

5.1.1 Collateral security and quality of loans in commercial Banks

Research carried out at Centenary Bank and her clients revealed that collateral security is being used as a debt management policy. The findings answered the research question and showed that all clients have to present collateral security in form of pieces of land, buildings, businesses and motor vehicles that can easily be audited for value analysis, confirmed with ownership, monitored easily sold off in case a client fails to pay back the loan. This was confirmed by both the bank management respondents as well as the clients. However, 3 respondents never agreed on the auditing of the collateral which may compromise the quality of loans in Centenary Bank. This therefore shows that the debt management policy is in existence and honoured by both the clients and the bank management (quite often) which therefore has helped in the quality of loan check.

5.1.2 Interest rates and quality of loans in commercial banks in Uganda

Research carried out at Centenary Bank and her clients revealed that the interest rate is very high, that is, 20% to 25% and above for the clients. Despite the high interest rate, clients and management agreed that it is affordable but takes a long time for the clients to pay back on time because they become too expensive in the long run and most especially when the rate of inflation increases thereby calling for an extension in the payback period to avoid loss of the collateral security submitted. To this however, 18 respondents with 32.7% disagreed and 1 respondent with 1.8% strongly disagreed with the affordability of the loans. This therefore shows that on the whole interest rate greatly affect the quality of loans in Centenary Bank.

5.1.3 Credit counseling on the quality of loans in commercial banks in Uganda

Research carried out at Centenary Bank and her clients revealed that credit counselling as a debt management policy is being used at Centenary Bank. The research found out that clients (though not all) receive credit counselling from the various loans' officers of the bank in order to help them know what exactly what they are supposed to be doing right from the start. This according to some respondents is not voluntary but forced to do so by the prevailing economic conditions such as inflation, high government tax imposition especially on imports. This is evidenced from table 5.0 where 15 respondents with 27.3% strongly agreed, 34 respondents with 61.8% agreed and 6 respondents with 10.9% disagreed about the provision of credit counselling in Centenary Bank. The 10.9% however should not be taken for granted because it causes a very big impact on the quality of loans in the long run. This therefore signifies that despite the execution or honour given to credit counselling as debt management policy, more efforts should be put to avoid long run losses.

5.2 Conclusion

The following are the conclusions basing on the findings.

5.2.1 Collateral security and ensuring the quality of loans

According to the results in table 4.4, 94.5 % of the respondents agree that collateral security is presented, audited for value analysis (table 4.4) and ownership confirmed through certificates of ownership such as land titles and car log books. This therefore helps to manage the quality of loans in such a way that bank clients who get loans fear to lose their collateral and so make sure that they clear the loan with all the other charges attached on time. Basing on the results obtained from the study therefore, it can be concluded that collateral security is paramount in ensuring a high quality of loans.

5.2.2 Interest rates and the quality of loans in commercial banks in Uganda

According to the results obtained in table 4.5, it was found out that interest rates are so high that is within the range of 20% - 25% and 25% above which implies that some clients may not be in position to pay back the loan on time because of the high interest rates that make the loan more expensive. Basing on the complaints from the respondents, it can be concluded that interest rates are so high basing on the 87 % who report a rate within the range of 20%-25% and so this may greatly affect the quality of loans.

5.2.3 Credit counseling on the quality of loans in commercial banks in Uganda

Basing on the results obtained from the study in table 4.8, majority of the respondents with 61.8% had received credit counselling from the bank's loans' officers as opposed to the 10.9 % of the clients who never received the service.. Basing on the results from the study therefore, it can be concluded that credit counselling plays an important role in ensuring a high quality of loans through sensitization of the clients about the terms and conditions of proper and timely loan repayment.

5.3 Recommendations

With the basis of the findings from the research above, the following recommendations have been suggested by the researcher.

The loans' officers should make sure that the collateral security of all clients is properly audited, ownership confirmed beyond reasonable doubt and physically inspected in order to avoid the likelihood of the bank losing. This is because some of the clients said that their collateral is even never inspected which is a very big impediment to the improval of the quality of loans.

I recommend that the interest rates be reduced to a percentage that can best serve all persons, that is, both the bank's interests as well as the client's interests to avoid the requests for an extended payback period which reduces the quality of the loans. This however should be done by not only the top management but by also involving the loans' officers because they best know their clients.

The researcher recommends more credit counselling to the bank's clients by the loans' officers and where possible the bank branch or department managers so as to let the clients know what they are supposed to do and also get to understand the terms and conditions when they go to apply for a loan from the bank for this this will help them pay back the loan with ease.

The researcher also recommends that other debt management policies such as debt restructuring and debt portfolio risks and liability management be introduced to enhance the quality of loans in Centenary Bank. These however should be well set, formulated and implemented by the bank's management as well as proper communication to the clients because they may express ignorance even during the time of receiving the loan.

I recommend that during the credit counselling sessions, clients be informed of the interest rates of the bank according to the different loans that may exist in the bank so as for both parties not regret at the end of time because during the research, some respondents expressed ignorance of the bank's interest rates.

I recommend an increase in the grace and payback period of the loan according to the different loan amounts received from the bank. This however should be done by the loans' officers under authority of the General Manager before the client signing against the terms and conditions of the loan. This is meant to help the clients of the bank be able to have a time of realizing the interest charges as well as the initial funds given them hence being able to pay back on time.

5.4 Areas for further research

The researcher presents the; impact of debt restructuring on the quality of loans in commercial banks, impact of debt portfolio risks and liability management on the quality of loans in commercial banks for further research.

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APPENDICES

Appendix i.   Management Questionnaire

Dear Respondent, this research is being carried out by Niwagaba Prosper, an undergraduate student in Business Administration and Management at Uganda Martyrs' University as a requirement to attain a Bachelor's Degree In Business Administration And Management. This research is carried out to find out the impact of debt management policies on the quality of loans in commercial banks, Centenary Bank Limited in particular.

This is solely for research purposes and economic development.

Your responses are kindly sought and needed to these questions. Be assured that the information you will give will be treated with utmost confidentiality.

Thank you for your cooperation.

SECTION A: Background of respondent

Position______________________________

(Please tick in the box that most suits you where applicable.)

Gender

Male ☐   Female ☐

Age (years)

20-30 ☐   30-40 ☐   40-50 ☐   50-60 ☐

Level of Management: Top ☐   Middle ☐   Operation ☐

Years Served: < 1 yr ☐   1-5 yrs ☐   5-10 yrs ☐

SECTION B: Debt Management Policies

(Please tick in the box that most suits you where applicable.)

1.1 Do you have debt management policies in place?

Yes ☐ **No** ☐

1.2 What are the different loan policies in Centenary Bank Limited?

Collateral security ☐ debt restructuring ☐

Loan agreement ☐ Credit counseling ☐

Interest rate ☐ Debt portfolio risks and liability management ☐

1.3 The loan policies are formulated and implemented in the most appropriate way at Centenary Bank Limited

Strongly Agree ☐ Agree ☐ Disagree ☐ Strongly Disagree ☐

1.3 According to my experience at Centenary Bank, the debt management policies properly address the quality of loans

Strongly Agree ☐ Agree ☐ Disagree ☐ Strongly Disagree ☐

1.4 What are the procedures followed in receiving the loans?

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……………………………………………………………………………………………………

……………………………………………………………………………………………………

……………………………………………………………………………………………………

1.5 What time is allowed for people to pay back the loans given to them?

1 month ☐ I year ☐ 2 to 5 years ☐ 5 to 10 years ☐

1.6 What is the recommended debt restructuring policy of Centenary Bank Limited?

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1.7 The bank ensures that the collateral security issued by the clients is audited and is of value

Yes ☐ No ☐

1.8 What collateral security does the bank usually ask for to issue a loan to the client?

Building ☐ Land ☐ Business ☐ motor vehicle ☐

1.9 The collateral security issued by the clients belongs to them

Strongly Agree ☐ Agree ☐ Disagree ☐ Strongly Disagree ☐

1.1.0 What is the interest rate on a loan to the client in Centenary Bank?

0%-5% ☐ 5% -10% ☐ 10%-15% ☐ 15%-20 ☐ 20%-25% ☐

25% and above ☐

1.1.1 The interest rate is affordable to all our clients

Strongly Agree ☐ Agree ☐ Disagree ☐ Strongly Disagree ☐

1.1.2 The interest rates are not affected by the economic changes in the country

Strongly Agree ☐ Agree ☐ Disagree ☐ Strongly Disagree ☐

1.1.3 The interest rate is clearly understood by the clients

Strongly Agree ☐ Agree ☐ Disagree ☐ Strongly Disagree ☐

1.1.4 Centenary Bank provides credit counselling to her clients

Strongly Agree ☐ Agree ☐ Disagree ☐ Strongly Disagree ☐

1.1.5 Credit counselling has helped in the improvement of the quality of loans in Centenary Bank

Strongly Agree ☐ Agree ☐ Disagree ☐ Strongly Disagree ☐

1.1.6 Credit counselling has helped our clients understand the terms and conditions of getting and operating a loan from Centenary Bank

Strongly Agree ☐ Agree ☐ Disagree ☐ Strongly Disagree ☐

SECTION C: Quality of loans

(Please tick in the box that most suits you.)

(Strongly agree = 4 Agree = 3 Disagree = 2 Strongly Disagree = 1)

1.1.7 The attained loans from the bank are used for the intended purpose

Strongly Agree ☐ Agree ☐ Disagree ☐ Strongly Disagree ☐

1.1.8 The loan default level is caused by the high interest rate

Strongly Agree ☐ Agree ☐ Disagree ☐ Strongly Disagree ☐

1.1.9 The debt management policies are effective and efficient to control the quality of loans in Centenary Bank Limited

Strongly Agree ☐ Agree ☐ Disagree ☐ Strongly Disagree ☐

1.2.0 The general community appreciates the loan terms and conditions of the loans

Strongly Agree ☐ Agree ☐ Disagree ☐ Strongly Disagree ☐

1.2.1 What do the customers use the loans for once received?

Business improvement ☐ Construction ☐ payment of school fees ☐

Purchase of land ☐ purchase households ☐ parties' funding ☐

Livestock farming ☐ have fun ☐ other (specify) ☐

………………………………………………………………………………………………………

……………………………………………………………………………………………………

SECTION D: Intervening variables

(Please tick in the box that most suits you.)

1.2.3 The fiscal policy set by the Central Bank affects the quality of loans in Centenary Bank Limited

Strongly Agree ☐ Agree ☐ Disagree ☐ Strongly Disagree ☐

1.2.4 The monetary policies set by the Central Bank affect the quality of loans in Centenary Bank Limited?

Strongly Agree ☐ Agree Disagree ☐ Strongly Disagree ☐

1.2.5 During the times of inflation, the quality of loans is affected

Strongly Agree ☐ Agree Disagree ☐ Strongly Disagree ☐

Appendix ii. Clientele Questionnaire

Dear Respondent, this research is being carried out by Niwagaba Prosper, an under graduate student in Business Administration and Management at Uganda Martyrs' University as a requirement to attain a bachelor's degree in business administration and management. This research is carried out to find out the impact of debt management policies on the quality of loans in commercial banks.

This is solely for research purposes and economic development

Your responses are kindly sought and needed to these questions. Be assured that the information you will give will be treated with utmost confidentiality.

Thank you for your cooperation.

SECTION A: Background of respondent

(Please tick in the box that most suits you where applicable.)

Gender

Male ☐ Female ☐

Age (years)

20-30 ☐ 30-40 ☐ 40-50 ☐ 50-60 ☐

Level of Management: Top ☐ Middle ☐ Operation ☐

Years Served: < 1 yr ☐ 1-5 yrs ☐ 5-10 yrs ☐

SECTION B : Debt management policies

(Please tick in the box that most suits you where applicable.)

1.1 What time is allowed for you to pay back the loans?

1 month ☐ I year ☐ 2 to 5 years ☐ 5 to 10 years ☐

1.2 What collateral security do you present for loan advancement?

Building ☐ Land ☐ Business ☐ motor vehicle ☐

1.3 Does the bank audit the collateral security issued for loan advancement?

Yes ☐ No ☐

1.4 What is the loan interest rate at Centenary Bank?

0%-5% ☐ 5% -10% ☐ 10%-15% ☐ 15%-20 ☐ 20%-25% ☐

25% and above ☐

1.5 The interest rates are affordable

Strongly Agree ☐ Agree ☐ Disagree ☐ Strongly Disagree ☐

1.6 Centenary Bank provides credit counselling.

Strongly Agree ☐ Agree ☐ Disagree ☐ Strongly Disagree ☐

1.7 Do you go for it voluntarily?

Yes ☐ No ☐

1.8 It has helped me pay back the loan at the right time

Strongly Agree ☐ Agree ☐ Disagree ☐ Strongly Disagree ☐

1.9 Credit counselling has helped me understand the terms and conditions to get a loan

Yes ☐ No ☐

2.0 Credit counselling has helped me understand the collateral security to issue for loan advancement

Strongly Agree ☐ Agree ☐ Disagree ☐ Strongly Disagree ☐

2.1 Credit counselling has helped me honour my loan obligation

Strongly Agree☐ Agree ☐ Disagree ☐ Strongly Disagree ☐

SECTION C: Quality of loans

(Please tick in the box that most suits you where applicable.)

2.2 What do you use the loans got from Centenary Bank Limited for?

Business enrichment ☐ Construction ☐ school fees ☐ other (Specify) ☐

…………………………………………………………………………………………………

……………………………………………………………………………………………………..

2.3 What are the most significant challenges in paying back the loans?

High Interest rate ☐ changes in economic situation ☐

Short grace period ☐ other *(specify)* ☐

……………………………………………………………………………………………………

……………………………………………………………………………………………………

Appendix iii: work plan.

Activity	Duration	Place	Responsibility	Remarks
Literature review	4 weeks	UMU library Branch office MUK library Bank of Uganda	Researcher	Use of Journals, text books, internet and other sources
Questionnaire formulation	4 days	Rwene- Kabale	Researcher	Proxim to town.
Questionnaire pre-testing	1 week	Loans department	- Researcher -loans department staff	Determine whether questions do not have errors & misstatement
Make appointment with prospective respondents	4 days	Centenary bank loan's officers	Researcher	To avoid any inconveniences
Data collection Distribution of questionnaires	4 months	Centenary bank loans officers and clients	Researcher	The potential respondents will be approached.
Data editing	3 weeks	UMU – Nkozi	Researcher	Identification of errors & incompleteness
Data analysis	3 weeks	UMU Nkozi	Researcher	Use of SPSS package

Appendix iv: Research Budget

No.	Details	Unit/quantity	Cost per unit	Amount in UGX
1.	Stationery			
	- Typing papers	2 reams	19,000/=	38,000/=
	- Cartridges	2	70,000/=	140,000/=
	- Pens	10	500/=	5,000/=
	- Printing / binding			200,000/=
	- Photocopying			50,000/=
2.	Transport			450,000/=
3.	Refreshment / lunch			400,000/=
	Total			**1,283,000/=**

Appendix v: Map of Uganda

Appendix vi   Map Showing Mapeera House location

NB: The red mark shows where Mapera house is located

Appendix vii Letter of research from the Dean

Uganda
Martyrs
University

making a difference

Office of the Dean
Faculty of Business Administration and Management

Your ref.:
Our ref.:

Nkozi, 16th April, 2014

To Whom it may Concern

Dear Sir/Madam,

Re: Assistance for Research:

Greetings and best wishes from Uganda Martyrs University.

This is to introduce to you NIWAGABA PROSPER who is a student of Uganda Martyrs University. As part of the requirements for the award of the Degree of Bachelor of Business Administration and Management of the University, the student is required to submit a dissertation which involves a field research on a selected case study such as a firm, governmental or non governmental organization, financial or other institutions.

The purpose of this letter is to request you permit and facilitate the student in this survey. Your support will be greatly appreciated.

Thank you in advance.

UGANDA MARTYRS UNIVERSITY
16 APR 2014
FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT
SIGN:

Yours Sincerely,

Fr. Edward Ssemwogerere
Associate Dean

Uganda Martyrs University P.O. Box 5498 - Kampala - Uganda
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