CREDIT RISK MANAGEMENT AND FINANCIAL PERFORMANCE: A SURVEY OF COMMERCIAL BANKS IN KISII COUNTY, KENYA

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Abstract

This study examines the effect of credit risk management on the financial performance of commercial banks in Kisii County, Kenya. Despite reported growth, banks face rising default rates and non-performing loans. The study specifically evaluates how asset quality, capital adequacy, management efficiency, and liquidity influence financial outcomes. A census survey was conducted among 36 credit officers using structured questionnaires. Descriptive and inferential statistical methods were employed for data analysis. Results indicate that all four components significantly impact financial performance, with regulatory compliance, management planning, and customer asset valuation playing crucial roles. The study recommends that banks adopt robust capital adequacy policies and enhance risk assessment mechanisms to sustain financial health.

Keywords: Liquidity, Financial Performance, Credit Risk Management, Capital Adequacy, Asset Quality, Management efficiency

INTRODUCTION

Credit creation is the main income generating activity for the banks. But this activity involves huge risks to both the lender and the borrower. When financial institutions issue loans, there is a risk of borrower default. When banks collect deposits and on-lend them to other clients, they put clients' savings at risk. The risk of a trading partner not fulfilling his or her obligation as per the contract on due date or anytime thereafter can greatly jeopardize the

smooth functioning of a bank's business. The default of small number of borrowers may result to large losses for a financial institution which can lead to massive financial distress affecting the whole economy (Bessis, 2003).

A study conducted in Australia identified credit risk as the potential of a credit borrower/counter party fails to meet the obligations on agreed terms. There is always scope for the borrower to default from his commitments for one or the other reason resulting in crystallization of credit risk by the financial institution. These losses could take the form of outright default or alternatively, losses from changes in portfolio value arising from actual or perceived deterioration in credit quality. Credit Risk management is necessary to minimize the risk and maximize financial institution's risk adjusted rate of return by assuming and maintaining credit exposure within the acceptable parameters (Pandey, 2004).

A study carried out in the United States recognized credit or default risk as the risk that the promised cash flows from loans and securities held by financial institutions may not be paid in full. Should a borrower default, both the principal loaned and the interest payments expected are at risk. The potential loss a financial institution can experience suggests that financial institutions need to collect information about borrowers whose assets are in their portfolios and to monitor those borrowers overtime, (Saunders and Cornett, 2003). Credit risk is the uncertainty associated with borrowers' loan repayments. In general, when borrowers' asset values exceed their indebtedness they repay loans but when borrowers' assets values are less than loan values, they do not repay and they could therefore exercise their option to default (Sinkey Jr., 2002).

In the United Kingdom, Financial Performance is defined as the reflection of the way in which resources of a company (Bank) are used in the form which enables it to achieve its objectives. Financial performance is the employment of financial indicators to measure the extent of objective achievement, contribution to making available financial resources and support of the Bank with investment opportunities (Heremans, 2007). Financial performance of a firm is the measure of the level of the organization's profit or loses within a specified period of time. Several measures have been used to measure the financial performance of Banks. These measures include: - Return on Equity (ROE), Return on Asset (ROA) and Net Interest Margin (NIM) (Murthy & Sree, 2003; Alexandru *et al.,* 2008). Return on Equity (ROE) which is a financial ratio that refers to how much profit a company earns compared to the total amount of shareholder equity invested or found on the balance sheet. ROE is what the shareholders look in return for their investment.

A study conducted in Egypt by Khrawish (2011) stated that a business that has a high return on equity is more likely to be one that is capable of generating cash internally. Thus, the

higher the ROE the better the company is in terms of profit generation. It is further explained by Khrawish (2011) that ROE is the ratio of Net Income after Taxes divided by Total Equity Capital. It represents the rate of return earned on the funds invested in the bank by its stockholders. ROE reflects how effectively a bank management is using shareholders' funds. Thus, it can be deduced from the above statement that the better the ROE the more effective the management in utilizing the shareholders' capital. Return on Asset (ROA) is a major ratio that indicates the profitability of a bank. It is a ratio of Income to its total asset (Khrawish, 2011). It measures the ability of the bank management to generate income by utilizing company assets at their disposal. In other words, it shows how efficiently the resources of the company are used to generate the income. It further indicates the efficiency of the management of a company in generating net income from all the resources of the institution (Khrawish, 2011).

Wen (2010) did a study in South Africa suggesting that a higher ROA shows that the company is more efficient in using its resources. Net Interest Margin (NIM) is a measure of the difference between the interest income generated by banks and the amount of interest paid out to their lenders (for example, deposits), relative to the amount of their (interest- earning) assets. It is usually expressed as a percentage of what the financial institution earns on loans in a specific time period and other assets minus the interest paid on borrowed funds divided by the average amount of the assets on which it earned income in that time period (the average earning assets). The NIM variable is defined as the net interest income divided by total earnings assets (Gul *et al.,* 2011). Net interest margin measures the gap between the interest income the bank receives on loans and securities and interest cost of its borrowed funds. It reflects the cost of bank intermediation services and the efficiency of the bank. The higher the net interest margin, the higher the bank's profit and the more stable the bank is. Thus, it is one of the key measures of bank profitability. However, a higher net interest margin could reflect riskier lending practices associated with substantial loan loss provisions (Khrawish, 2011). Financial performance is a subjective measure of how well a bank can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Pandey, 2008).

In Kenya, The Risk Management Committee or the Risk Manager shall take full responsibility for evaluating the overall risks faced by the financial institution and determining the level of risks that will be in the best interest of the financial institution. The functions of the Risk Management Committee or Risk Manager should essentially be to identify, measure, monitor and control the risks undertaken by a financial institution (CBK, 2012). In the recent years, banks have developed sophisticated systems of risk management. Many banks have

been exposed to more risk of loan defaulting due to the increase of the amount of loans advanced. In addition to the system, management have had to up their game in securing their assets (Morsman, 1993).

Another study in Kenya done by Wanjira (2010) looked into the relationship between non- performing loans management practices and financial performance of commercial banks in Kenya. The study concluded that there is a need for commercial banks to adopt non-performing loans management practices. The study further concluded that there was a positive relationship between non- performing loans management practices and the financial performance of commercial banks in Kenya which implies that the adoption of non- performing loans management practices leads to improved financial performance of commercial banks in Kenya. Muthee (2010) conducted a research on the relationship between credit risk management and profitability in commercial banks in Kenya. The findings and analysis revealed that credit risk management has an effect on profitability in all the commercial banks analyzed. The study used regression analysis to establish the relationship between NPLR and ROE.

Statement of the Problem

Al-Tamimi (2002) found that the UAE commercial banks and credit unions were mainly facing credit risk. The study also found that inspection by branch managers and financial statement analysis are the main methods used in risk identification. The main techniques used in risk management are establishing standards, credit score, credit worthiness analysis, risk rating and collateral. Mudiri (2003) sought to determine credit management techniques applied by commercial banks in Kenya and reported that effective risk management requires a reporting and review structure to ensure that risks are effectively identified and assessed and that appropriate controls and responses are in place. Maina (2003) contacted a survey on risk based capital standards and the riskiness of bank portfolio in Kenya and indicated that there is a clear indication there must be a cost on credit portfolio management and if not well controlled at inception, then a crisis must be anticipated. He recommended that training staff and getting the certified in the credit risk management could be healthy in management of credit portfolio. Langat (2012) undertook a study on factors influencing performance of Savings and Credit Co-operative Societies in Bomet County. The study was guided by modern portfolio theory which guides institutions and savings investors on how to construct their investment portfolios and how to mitigate risks through portfolio diversifications and thus increase returns to investors.

Commercial banks in Kisii County have faced a lot of challenges of collecting the debts from their clients resulting to an increase in the ratio of non-performing loans to gross loan advanced by 5.3% with the defaulting rate increasing by 10%. The defaulted loans stood at 77.3

billion in June 2019. Despite the increase in default rate, the quality of asset measured as a proportion of the non- performing loans decreased by 0.3% from March to June 2019 (Kinyanjui, 2019). In the resent years, the urge of banks to advance unsecured loans has increased, has been fuelled by the increase in completion among the financial sector and entry of new lenders like Safaricom through Mshwari loans. Banks have been reporting growth in their financial performance for the last few years. The study seeks to establish the effect of credit risk management on financial performance.

General Objective of the Study

The general objective of the study was to determine the effect of credit risk management on financial performance.

Specific Objectives of the Study

i. To establish the effect of asset quality on financial performance of commercial banks operating in Kisii County.

ii. To find out the effect of capital adequacy on financial performance of commercial banks operating in Kisii County.

iii. To determine the effect of management efficiency on financial performance of commercial banks operating in Kisii County.

iv. To establish the effect of liquidity on financial performance of commercial banks operating in Kisii County.

LITERATURE REVIEW

Portfolio Theory

Since the 1980s, companies have successfully applied modern portfolio theory to market risk. Many companies are now using value at risk models to manage their interest rate and market risk exposures. Unfortunately, however, even though credit risk remains the largest risk facing most companies, the practice of applying modern portfolio theory to credit risk has lagged (Margrabe, 2007). Companies recognize how credit concentrations can adversely impact financial performance. As a result, a number of institutions are actively pursuing quantitative approaches to credit risk measurement. This industry is also making significant progress toward developing tools that measure credit risk in a portfolio context. They are also using credit derivatives to transfer risk efficiently while preserving customer relationships.

Portfolio quality ratios and productivity indicators have been adapted (Kairu, 2009). The combination of these developments has vastly accelerated progress in managing credit risk in a

portfolio context. Traditionally, organizations have taken an asset-by-asset approach to credit risk management. While each company's method varies, in general this approach involves periodically evaluating the quality of credit exposures, applying a credit risk rating, and aggregating the results of this analysis to identify a portfolio's expected losses.

The foundation of the asset-by-asset approach is a sound credit review and internal credit risk rating system. This system enables management to identify changes in individual credits, or portfolio trends in a timely manner. Based on the changes identified, credit identification, credit review, and credit risk rating system management can make necessary modifications to portfolio strategies or increase the supervision of credits in a timely manner. While the asset-by-asset approach is a critical component to managing credit risk, it does not provide a complete view of portfolio credit risk, where the term risk refers to the possibility that actual losses exceed expected losses. Therefore, to gain greater insight into credit risk, companies increasingly look to complement the asset-by-asset approach with a quantitative portfolio review using a credit model (Mason and Roger, 1998).

Information Theory

Derban, Binner & Mullineux (2005) recommended that borrowers should be screened especially by banking institutions in form of credit assessment. Collection of reliable information from prospective borrowers becomes critical in accomplishing effective screening as indicated by symmetric information theory.

Qualitative and quantitative techniques can be used in assessing the borrowers although one major challenge of using qualitative models is their subjective nature. However according to Derban, Binner & Mullineux (2005), borrowers' attributes assessed through qualitative models can be assigned numbers with the sum of the values compared to a threshold. This technique minimizes processing costs, reduces subjective judgments and possible biases. The rating systems will be important if it indicates changes in expected level of credit loan loss. Brown Bridge (1998) concluded that quantitative models make it possible to numerically establish which factors are important in explaining default risk, evaluating the relative degree of importance of the factors, improving the pricing of default risk, screening out bad loan applicants and calculating any reserve needed to meet expected future loan losses.

Credit Scoring Model

Huang (2001) observes that Credit scoring models also form part of the framework used by lending institutions to grant credit to clients. For corporate and commercial borrowers, these models generally have qualitative and quantitative sections outlining various aspects of the risk

including, but not limited to, operating experience, management expertise, asset quality, and leverage and liquidity ratios, respectively. Once this information has been fully reviewed by credit officers and credit committees, the lender provides the funds subject to the terms and conditions presented within the contract. Any lending decision should always be preceded by detailed analysis of risks and the outcome of analysis should be taken as a guide for the credit decision. As there is a significant correlation between credit ratings and default frequencies, any derivation of probability from such historical data can be relied upon. The model may consist of minimum of six grades for performing and two grades for nonperforming assets. The distribution of rating of assets should be such that not more than 30% of the advances are grouped under one rating (Saunders and Cornett, 2007).

Research Gaps

Previous studies on credit risk management have not focused on the effects on the credit risk management practices on SACCOs. Ngare (2008) undertook a survey of credit risk management practices by commercial banks in Kenya while Muturi (2010) carried out a survey of techniques or credit risk management in micro-finance institutions in Kenya. This study has critically analyzed credit risk management practices which could be used by conventional financial institutions and suggest ways in which financial performance can further adapt and innovate to create the optimal risk management culture within their own organizations.

Kithinji (2010), Musyoki & Kadubo (2011) analyzed the impact of credit risk management on the financial performance of Banks in Kenya for the period 2000 to 2006 and concluded that default rate, bad debts costs and cost per loan asset have an inverse impact on banks' financial performance, however the default rate is the most important determinant of bank financial performance vis-à-vis the other indicators of credit risk management. The research seeks to bridge a gap since the study did not address the effect of credit risk management practices on financial performance.

RESEARCH METHODOLOGY

Research Design

The study adopted a survey research design. A survey research design is deemed appropriate as it enables the researcher to make comparisons based on differences in demographics. These require a broad range of data which can be possible through a survey. Furthermore, a research design was structured as it has investigative questions and part of formal studies.

Target Population

Sekeran and Bougie (2010) states that a population is the collection of elements about which inference is made to all possible cases that are of interest in the study. The study will use census survey on all 36 respondents of all credit officers. The target population will be chosen because it has all the characteristics that can be used to answer the research questions under study.

Data Analysis and Presentation

Data analysis is the application of reasoning to understand data that has been collected in order to determine consistent patterns and summarize relevant details revealed in the investigation (Zikmund *et al.*, 2010). In order to reveal patterns within the data collected with respect to study variables, analysis of data was guided by the research objectives. Data collected using close-ended questions was coded by generating a set of rules which were utilized to allocate numbers to the variables. It was then recorded and cleaned before entering it into the Statistical Package for Social Sciences (SPSS) software Version 23 for analysis.

Frequency distributions were used to summarize data. Graphical techniques were used to present a picture of nominal and ordinal data. They will be used to display frequencies, relative frequencies, and relationship between interval variables. For measures of central tendency, the mode and median will be used for nominal and ordinal variables while arithmetic mean will be calculated for the interval variables. To measure dispersion, standard deviation for interval variables was calculated and results displayed using a box plot to visually indicate both central tendency and dispersion, as well as any possible outliers.

Diagnostic Tests

Test of Multicollinearity

This is a condition that exists when the independent variables are correlated with one another. This implies that the sample coefficient may be far from the actual population parameter. Similarly, when the coefficients are tested, the t-statistic will be small leading to the inference that there is no linear relationship between the affected independent variables and the dependent variable, an inference which may be wrong (Keller, 2012). Multicollinearity was detected using the Variance Inflation Factor where a value of 10 and above would indicate high collinearity (Saunders *et al.,* 2016): -

$$VIF = \frac{1}{1 - R^2}$$

For either Y = f(X) or Y = f (X_1, X_2).

Where:

if R^2 = 1, then VIF = ∞ (i.e., perfect multicollinearity).

if R^2 = 0, then VIF= 1 (no multicollinearity).

As shown in Table 1, the VIF values of the pre-study independent variables were within the threshold of 10 (ten). The tolerance value was greater than 0.1 ruling out the possibility of multicollinearity (Field, 2025).

Table 1: Results for Multicollinearity Test

Variable	Tolerance	VIF
Asset Quality	0.137	7.311
Capital Adequacy	0.290	3.445
Management Efficiency	0.308	3.243
Liquidity	0.158	6.315
Financial Performance	0.254	3.932
Mean Tolerance/VIF	**0.229**	**4.849**

Tests of Normality

Parametric tests assume that the numerical data cases in a sample are drawn from normally distributed populations, meaning that data values for each quantitative variable should also be normally distributed (Saunders *et al.,* 2016). The study used Kolmogorov-Smirnov and Shapiro-Wilk tests to examine whether the data are normally distributed: -

$$W = \frac{\left\{ \sum_{i=1}^{n} a_i (x_{(n-i+1)n} - x_{i:n}) \right\}^2}{\sum_{i=1}^{n} (x_i - \bar{x})_2},$$

P-values <.05 will be taken to mean that the sample scores are not normally distributed (Saunders *et al.,* 2016). Kolmogorov-Smirnov and Shapiro-Wilk test was used to examine whether the pilot study data were normally distributed. The results displayed in Table 3.20 indicate that the response variable (Employee environmental behaviour) had a significant p>.05 thus implying that it was normally distributed.

Table 2: Results for Normality Test

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	Df	Sig.
Financial Performance	.146	12	.200[*]	.969	12	.901

Heteroscedasticity

Breusch pagan test was used to establish whether the residual error term changes with changes in independent variables. The test presupposes that independent variables are regressed on the residual error term as response values. For the Breusch-Pagan test, the null hypothesis is that the error variances are all equal while the alternative hypothesis is that the error variances are a multiplicative function of one or more variables. Using the Breusch-Pagan test, Heteroscedasticity is evident when $p \leq 0.05$ (Bera & Jarque, 2012). Table shows that the constant variance ($Chi^2 = 0.2387$) is insignificant ($p = 0.9986$). Thus, we failed to reject the null hypothesis and concluded that the error variance of the pilot study data was equal thus therefore homoscedastic.

Table 3: Test Results for Heteroscedasticity

H0	Chi^2	Prob. > Chi^2
Constant Variance	0.23868	.9986

Test of Linearity

The extent to which the change in the dependent variable is related to the change in the independent variables is what is referred to as linearity (Saunders *et al.,* 2016). Linearity tests whether there is a linear relationship between the dependent and the independent variables so as to necessitate performance of linear regression

Autocorrelation

This is an assumption of regression testable through residual analysis (Tabachnick & Fidell, 2014). The study utilized the Durbin-Watson test to determine whether errors of predictions were independent of one another, following the null hypothesis: *H_0: there is no autocorrelation*. The test statistic ranges between 0 to 4 where a value close to 0 signifies the presence of positive autocorrelation while that close to 4 signifies negative autocorrelation (Zeng, 2016). Zeng further postulates that values ranging between 1.5 to 2.5 indicate that there is no autocorrelation.

Table 4: Results of Durbin-Watson Test for Autocorrelation

Model	Change Statistics					Durbin-Watson
	R Square Change	F Change	df1	df2	Sig. F Change	
1	.657	32.197	5	84	.000	1.839

Descriptive Statistics

Frequency distributions were used to summarize data. Graphical techniques were used to present a picture of nominal and ordinal data. For measures of central tendency, the mode and median were used for nominal and ordinal variables while arithmetic mean was calculated for the interval variables. To measure dispersion, standard deviation for interval variables was calculated.

Open-ended questions from primary data and secondary data from organizational documents such reports, strategy documents and textual material in corporate websites, yielded qualitative data. This data was analysed using content analysis, an analytical technique that categorizes and codes qualitative data in order to analyse them quantitatively. This method is objective since it makes it possible to identify factual objects in data rather than rely on subjective judgment. It is also systematic in that it is conducted in a consistent, transparent and replicable way (Saunders *et al*, 2016).

Content Analysis involved devising analytical categories that linked to the scope and purpose of the research topic, were mutually exclusive, independent and exhaustive. Further, a unit of analysis focusing on individual words or phrases was defined and used to recode content. Data was then coded based on the categories devised and analysed quantitatively.

Effect of Asset Quality on Financial Performance

Table 5: Effect of Asset Quality on Financial Performance

Statements	SD 1	D 2	N 3	A 4	SA 5	MEAN
Financial assets forms integral part in credit risk management	Nil	2 6%	6 19%	14 44%	10 31%	**4.0**
Physical assets are key determinants when assessing credit risk	2 6%	4 13%	6 19%	8 25%	12 38%	**3.75**
Financial assets forms the basis for determining credit risk	Nil	3 9%	5 16%	15 47%	9 28%	**3.94**
Infrastructural assets are important	Nil	2 6%	10 31%	13 41%	7 22%	**3.47**

Key: 1 -Strongly Disagree (SD), 2 – Disagree (D), 3 - Not Sure (NS), 4 - Agree (A) and 5 - Strongly Agree (SA)

On the statement that financial assets forms integral part in credit risk management; 44% of the respondents agreed, 31% of the respondents strongly agreed, 19% of the respondents were neutral and 6% of the respondents disagreed. Majority agreed that financial assets formed part of the key aspects when determining credit risk management.

On the statement that physical assets are key determinants when assessing credit risk; 38% of the respondents strongly agreed, 25% of the respondents agreed, 19% of the respondents were neutral, 13% of the respondents disagreed and 6% of the respondents strongly disagreed. Majority agreed that financial assets were crucial towards determining credit risk.

On the statement that financial assets forms the basis for determining credit risk; 47% of the respondents agreed, 28% of the respondents strongly agreed, 16% of the respondents were neutral, and 9% of the respondents disagreed. This implies that financial assets are fundamental in determining credit risk.

On the statement that infrastructural assets are important in credit risk management; 41% of the respondents agreed, 22% of the respondents strongly agreed, 31% of the respondents were neutral and 6% of the respondents were undecided. This shows that majority of the respondents agreed that infrastructural assets had great significance on credit risk management.

RECOMMENDATIONS

On asset quality; study the researcher recommends that superior financial performance in commercial banks can be achieved by improving their investment assets levels and improving assets quality.

On capital adequacy; the researcher recommends the adoption of capital adequacy in order to improve financial performance of commercial banks. The study recommends that it is necessary to ensure that commercial banks have sufficient capital. Capital regulations are therefore necessary to ensure that banks meet the minimum capital requirements expected of them.

On management efficiency; the management should undertake measures to improve Capital adequacy, Asset quality, Management efficiency, and Liquidity. The study recommend that banks should safeguard on otherkey sources of inefficiencies such as improper allocation and utilization of labour, implying that banks have human resource that is not productive or fully utilized. It is recommended that banking activities are increased or the redundant human resource is rationalized to achieve optimal operational levels as this have a direct bearing on the

financial resources of the bank. Banks should continue to innovate and leverage on the benefits of technology to facilitate efficiency improvement.

The obligations of a commercial bank may include; meeting daily operating costs, unforeseen emergencies, contingencies or accidents. In order to meet such obligations effectively, commercial banks must therefore hold a certain percentage of their total liquid assets in form of cash.

SCOPE FOR FURTHER STUDIES

This study set out to examine the relationship between credit management practices and the financial performance of financial institutions. The findings underscore the critical role that effective credit management plays in enhancing financial outcomes, particularly through mechanisms such as robust credit appraisal, efficient debt collection procedures, and prudent credit risk analysis. The results align with existing literature that supports the notion that sound credit management practices contribute positively to institutional profitability, asset quality, and overall financial stability.

It is evident from the analysis that financial institutions which implement rigorous and comprehensive credit management frameworks tend to experience lower levels of non-performing loans, higher returns on assets, and greater shareholder value. These outcomes reinforce the importance of adopting proactive credit policies, leveraging data analytics for credit scoring, and continuously training credit officers on emerging risk indicators.

However, this study is not without limitations. The scope was restricted to a specific geographical location and a limited number of financial institutions, which may affect the generalizability of the results. Additionally, the cross-sectional nature of the research does not capture the dynamic changes in credit management strategies and their long-term effects on financial performance.

The findings of this study open several avenues for further research. First, future studies may adopt a comparative approach by analyzing credit management practices across different countries or regions to capture cross-cultural and regulatory differences. Secondly, as financial technology (fintech) continues to transform the credit landscape, researchers could explore the impact of digital credit scoring tools, mobile lending platforms, and artificial intelligence on credit risk assessment and financial performance.

Moreover, further studies could focus specifically on the credit management practices of small and medium-sized enterprises (SMEs), which often face unique credit access challenges. Sector-specific investigations—such as in microfinance institutions, SACCOs, or rural banks—may yield targeted insights applicable to those segments.

Additionally, researchers could consider macroeconomic variables such as inflation, exchange rates, and interest rates to understand their moderating role in the credit management–financial performance nexus. The impact of regulatory frameworks and government interventions on credit policies and financial sustainability also remains a fertile ground for inquiry.

Lastly, longitudinal studies could provide deeper insights into how credit management practices evolve over time and how they affect financial performance in the long run. Incorporating environmental, social, and governance (ESG) considerations in credit decision-making processes presents a novel area for exploration, particularly in the wake of global sustainability trends.

In conclusion, while this study has provided valuable insights into the link between credit management and financial performance, there remains a broad and dynamic field for future exploration that can further enhance the effectiveness and resilience of financial institutions in managing credit risk.

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APPENDIX I: QUESTIONNAIRE

Section A: Demographics

1. Gender

a. Male [   ]   b. Female [   ]

2. Age

a. 18-24 years [ ]   c. 25 – 34 Years [   ]

b. 35-44 years [ ]   d. 45 – 54 years [   ]

e. Over 55 years [ ]

3. Years worked with the organization

a. 0- 2 Years [ ]   b. 3- 5 Years [ ] c. 6-9 Years [ ]   d. above 9 Years [ ]

Section B: Main Questionnaire.

4. To what Extent to which do you agree with the following statements on effect of asset quality on financial performance.

Key: 1 -Strongly Disagree (SD), 2 -Disagree (D), 3 -Not Sure (NS), 4 -Agree (A), 5 -Strongly Agree (SA)

Statements	SD	D	N	A	SA
	1	2	3	4	5
Financial assets forms integral part in credit risk management					
Physical assets are key determinants when assessing credit risk					
Financial assets forms the basis for determining credit risk					
Infrastructural assets are important					