

**ASSESSMENT OF CREDIT RISK MANAGEMENT(in case of commercial bank of
ethiopia in bekur branch)**

*A Research Paper Submitted to the Department of Accounting and Finance in Partial
Fulfillment of the Requirements for the Award Bachelor Degree (BA) in Accounting and
Finance*

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JANUARY, 2021
WOLKITE, ETHIOPIA

ACKNOWLEDGEMENT

First and for most, I would like to thanks almighty God secondly; I acknowledge, the significant support and contribution from my advisor instructor **MR. KEFIYALEW. B (MS.C)**. I am grateful for his valuable advice and intellectual guidance. Thirdly I would like to thanks my family for their moral and financial support.

Finally, I would like thanks to the manager and employees of commercial bank of Ethiopia in buker branch to give available information about the bank.

ABSTRACT

Credit risk management is a very essential model for any financial institution. Since most of the financial decisions revolve around the corporate case of holding risk, this management is particularly important to banks since credit risk constitutes their core by business process. This study was conducted with aim of assessing credit risk management of commercial bank of Ethiopia in bekur branch This study used descriptive study because the aim was to describe the prevailing credit risk management. Only primary data were used to get sufficient information about the bank's credit risk management The primary data was gathered in the form of questionnaire distributed to respondents from 26 total employees of the bank. The researcher employed census method because the respondent would be minimum and the researcher used both quantitative (percentage) and qualitative data analysis (narration) method and the other descriptive statistics by applying statistical package for social scientist and tables. Collected data and interpret, Results of this study revealed that though the bank is average in its credit risk management, some employees are found to lack the required skill evaluate credits and unaware about the bank's credit policies and procedures. Based on the results revealed, the researcher recommended the branch to arrange continuous training for its employees and fill the knowledge and skill gaps and improve its profitability.

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Accronymem

ATM.....Automated Teller Machine

CBE..... Commercial Bank of Ethiopia

SPSS..... Statistical Package Social Scientist

CHAPTER ONE

1. INTRODACTION

1.1. Back Ground of the Study

In 1931, commercial bank of Ethiopia was nationalized and it came to be known as the banks of Ethiopia. Commercial bank of Ethiopia was re-organized and re-established in 1942. (Bhaja, 1998). Commercial banks in Ethiopia extend credit or loan to different types of borrower for many different purposes. For most customers, bank credit was the primary source of debt financing and for banks good loans were the most profitable assets. (Mishkin, 2004).

Commercial banks were just like bridge in which fund of savers were transferred to borrowers through the process of financial intermediary especially where capital markets were not yet well developed like Ethiopia. It plays vital role in any economy as similar as what heart's role in human body by pumping the blood of business (financial resource) from surplus to deficit area. As a result, bank service is considered as life blood for any economic unit while effective Credit risk management system and practice is an ingredient part of safety, soundness, liquidity and profitability of banks.

The bank is a pioneer to introduce modern banking to Ethiopia and credited for playing a catalytic role in the economic progress and development of the country. It is also the first bank in Ethiopia to introduce ATM service for local users. It is a financial institution that was established for lending, borrowing, issuing, exchanging, taking deposits, safeguarding or handling money under the laws and guidelines of a respective country. However, the issue of finance was major concern in modern time all over the world. The need for banking institution was unquestionable. Among their activities, credit provision was the main product, which banks provide to potential business entrepreneurs as a main source of generating income. They also provide loans, credit and payment services such as checking accounts, money orders, and cashier's checks. Banks also may offer investment and insurance products and a wide whole range of other financial services (Sahlemichael M, 2009).

Among the risk that face banks, credit risk was one of great concern to most bank authorities and banking regulators. This is because credit risk is that risk that can easily and most likely prompt bank failure (Basle committee on banking supervision, 2004).

Although numbers of branches come to be opened in the provinces, the risks of the bank on the Ethiopia are not seen to have been substantial. Its high lending rate, 7.5%, was not certainly conducive in borrowing a loan nearly a decade time passage. Credit risk management is a structured approach to manage uncertainties arising from the probability that he/she takes as a loan either the principal or interest or both. (Stulz, 2011). Credit creation is the main income generating activity for banks. It also involves huge risks to both lender and borrower.

On the other hand, a bank with high credit risk has high bankruptcy risk that puts the depositors in danger that can easily and most likely prompt bank failure. Credit risk is the most obvious risk in the banking activities and possibly the most important interims of potential loss and default of small number of key customers can generate very large losses and in extreme case can lead the bank becoming insolvent. This risk relates to the possibility that loans would not be paid or that investments would be deteriorated in quality or go in to default with consequent loss to the bank. Credit risk is not confined to the risk that borrowers were unable to pay. It also includes the risk of payments being delayed which can cause problem for the bank. So, in order to protect their own interest and the wealth of bank, shareholders/depositors of the bank need to investigate and monitor the activities of the existing borrowers. Credit creation was the main income generating activity for the Africa continent. But this activity involves huge risks to both the lender and the borrower.

Therefore, sound credit risk management structure was crucial for effective credit risk management process. While banks may choose different structures, it is important to ensure that the structure is commensurate with their size, complexity and diversification of their activities (Ibid). In Ethiopia the goal of Credit Risk Management is to maximize banks risk- adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Banks need to manage the credit risk inherent in the entire portfolio was the risk in individual credits or transactions. Banks should also consider the relationships between credit risk and other risks. Effective

management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of any banking organization (Basle committee on banking supervision, 2004). since the credit risk management practice is one of the major issues of banks that concern many stakeholders where better credit risk management results in better bank profitability. This research therefore, aims to assess credit risk management in commercial bank of Ethiopia that enables to maximize a bank's risk adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Banks need to manage the credit risk inherent in the entire portfolio as well as the risk in individual creditors and transactions. Banks should also consider the relationship between credit risk and other risks. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of any banking organization.

The motivation of the study was the researcher wants to explore the knowledge through doing a research.in order to understand that how to conduct the research problems. In addition to this , the main motivation of our study is to get degree by doing the research study on the credit risk management in bekur branch.

1.2 Statement of the Problem

Currently, banking business was so sensitive default because more of the income or revenue would be generated from credit or loan given to the customer. More or less, any bank in the world faces a problem of credit default if it grants credit. Commercial bank of Ethiopia is one of the most important financial institutions which was specialized in accepting deposits from the public and grant loans to the needy party and specialized in long-term development in financing the nation's economy. This credit granting activity exposes the banks to high credit risk which leads to loss. Hence, it should be extremely careful while granting loans. From these phenomena, it will be logical to question the credit appraisal process done by the bank. That means whether due care has been made in selecting the borrowers or not. With this regard, the researchers want to assess the credit risk management of commercial bank of Ethiopia (CBE) in bekur branch. The researchers of this study were highly motivated to tackle challenges in solving the unsolved problems. The objective of this study will be to mitigate and alleviate the credit risk or it will be supposed to be the solution in overcoming the problem of credit default in commercial bank of Ethiopia, bekur branch.

Credit risk management mechanisms will be good for the business. Those are screening and monitoring, long term customer relationship, collateral requirements and credit rationing that are important for success of banks by determining its profitability, liquidity, solvency and amount of portfolio. Until the researcher knows, there is no formal study done area or bank branch. There might be other prior studies that will be corresponding to this study. But, the researchers of this research proposal have accessed the research that was done by different researchers in 2016 or in 2008 E.C.

Long term credit is worse than short- and medium-term credit because the amount of credit as studied by different researchers on different own branch commercial bank of Ethiopian prior period with respondents' information, the researchers concluded that lack of assessing borrowers' timely economic status leads the bank to be bankrupted. This means many banks neglect obtaining periodic information about borrowers. But credit granting period long, medium- or short-term credit, and borrowers' information validity, the other major factors were not searched out. This study will assess such time specification and borrowers' information validity.

Default increases as the credit period is getting longer and longer. The most credit policy and procedures of the bank include providing service on loan application, and applying acceptable credit analysis and appraisal functions. The objective of credit risk management is to ensure a uniform bank approach to assess decision making of all level in the bank to enable lending officers to focus on better quality clients and to analysis the degree of the risk involvements on credit. The cause for the existence of credit risk in the bank are lack of prudent lending, market failure, incomplete information, weakness in collateral arrangement and time specification.

So that this research study solves the problems that related to credit risk management in commercial banks of Ethiopia. Generally, this research gaps the above and other related problem are initiated the researcher to conduct study on assessing the credit risk management commercial bank of Ethiopia in bekur branch. The above problem of debtors is not able to pay the risk are intended the debtor. Next then the bank will must be pursuit of debt or in first loans until paid time and pursuit drill or trainings of debtors.

Depending on the researchers' knowledge, this study will be supposed to overcome problems that will be laid over commercial bank of Ethiopia in bekur branch in credit granting activities. This is because; commercial bank in bekur branch is the largest financial

institution that plays a vital role for country's development through financing feasible projects. Without effective risk management, good bank performance or profit will be unthinkable.

1.3 Research Questions

The following were specific questions.

- ✓ What were both the inherent and prevailing risks of loan by banks in general and particular to the branch?
- ✓ What was the credit appraisal process adopted in Commercial Bank of Ethiopia?
- ✓ What were the factors contributing for default both of the clients and banks side?
- ✓ Were the strategies or measures applied by the branch effective in reducing risk of default?

1.4. The Objective of the study

1.4.1 General Objective of the Study

The general objective of the study was to assess the credit risk management of Commercial Bank of Ethiopia, bekur branch.

1.4.2. Specific Objectives of the Study

- ✓ To identify the prevailing risks related to credit in Commercial Bank of Ethiopia
- ✓ To assess the credit appraisal process in of Commercial Bank of Ethiopia,
- ✓ To identify the factors contributing for the problems both at clients and banks side.
- ✓ To analyze the effectiveness of the risk management measures or strategies applied by the branch.

1.5 Significance of the Study

This study gives the significance for organization as well as for future researches. For other researchers who would do researches that were corresponding to this study, it used as input and the starting point for the future researchers. This research is replicable; the validated results that gain from this study could be replicating study for the future. Besides, broadening the researcher's knowledge on the subject, it would be used as a reference by others who wish to conduct a research on the subject. And also, it would add knowledge for credit risk management officials by identifying the impact level of credit risk management towards profit abilities of banks and it will make them well conservative on their credit risk management mechanisms.

For the bank organizations would be benefited from the output since it was expected to pin point the loop holes in the process of credit appraisal and management. This would enable the branch to apply mechanisms for intervention in the process on the basis of the recommendation that this study would forward.

Generally, this study was significant to provide the following points for bank organizations.

- ✓ This study was intending to assess investigation, to analysis its method and to pave its credit risk management.
- ✓ Protect the bank from unstudied losses.
- ✓ Better understanding of the process of intensive business research.
- ✓ It would help them to know what kind of problems exists around the business industry.
- ✓ It would help researcher to be familiar with research operation.

1.6 Scope of the Study

Because of cost and time limitation, the researchers would be enforced to limit the study area of assessing the credit risk management in commercial bank of Ethiopia, at bekur branch. The study would mainly have focused only on commercial bank of Ethiopia, bekur branch to identify the factors affecting the credit granting activities and to search out the strategies that would be used to alleviate the

problems in commercial bank of Ethiopia, buker branch. The researchers would have formulated data longitudinally by investigating commercial bank of Ethiopia in bekur with its different time credit risk management performance.

1.7 Organization of the Study

This study has five-chapter.

In the first chapter about introduction of study, in the second chapter present some previously literature reviews; the third chapter would deal with research methodology, in the chapter four we would be data analysis, interpretation and, summaries, and in chapter five would be conclusion and recommendation

CHAPTER TWO

2. LITERATURE REVIEWS

2.1 Theoretical Literature

This chapter gives definition and argues the importance of or credit risk management for profitability of the bank. Most of the individual organizations borrow money from financial institutions especially from banks for their day-to-day activities in business engagement. Basically, the decision of the banks will be influenced by various factors that are the character of the borrowers causing risk in the interest profitability of the transaction of the bank lending policy. This research will also evaluate credit risk management and the appropriate borrowers that may serve for commercial bank of Ethiopia, buker branch. Ways of service granting are the lending process, the maximum credit limits, and the types of loans extended for the beneficiaries of the bank is (Muller, 1998).

2.1.2 Managing Credit Risk

Solving the problem helps to examine a number of principles for managing credit risk screening, establishment of long-term, customer relationship, loan commitment, compensating balance remints and credit rationing (Mish kin (2003):597-598)).

Credit risk

Credit risk is the most frequently addressed risk for bank institutions is the risk to earning or capital due to borrowers late and non-payment of loan obligation. Credit risk encompasses both the loss of income resulting from the bank institutions inability to collect anticipated interest earning as well as the loss of principal resulting from loan defaults. Credit risk includes both transaction risk and portfolio risk. (According to a risk management frame work for bank institutions of GTZ (released in2000)).

A Transaction risk: This is related to the individual borrower with which the bank is transacting. A borrower may not be trustworthy and capable of repaying loan which will result in loss of loan. All loss of loan related to delinquency of individual clients which can be because client's migration, will ful defaulting, business failure etc. is called transaction risk.

B. Portfolio risk: Portfolio risk is related to factors, which can result in loss in a particular class or segment of portfolio. For example, the bank may lose a portfolio with a particular community, locality or a particular trade due to some external reasons. These reasons could be political, communal, failure of an industry /trade, etc.

2.1.3 Bank Credit Management Basic Concept

Credit management tied at the health of commercial banking credit becomes the business of banking, and the primary basis on which a bank guilty and performance are judged (Muller, 1998). The credit management greatly influences the success of failure of financial institution while asset quality directly reflects guilty of management, it is also significantly influenced by other factors, including government policy, macro-economic conditions, and the nature of interest of back ownership, which in turn influences on banks after deposited. The importance of external influence on banks after guilty, evaluating the credit management process is essential. Component to an analysis of banks' portfolios and financial statement and building credit management is a pre-condition for strong banks. The key elements of effective credit management are well developing credit policy and credit procedures. Strong portfolio management, effective credit controls, and the most critical elements of all, a well-trained staff that is qualified to enrolment system and over all speed run of policies that guide a bank's operations, (Diana mc magnetron the world book, 1996).

2.1.4 Credit Policies, Directives, Procedures & Process

2.1.4.1 Credit Policies

Credit policy provides the frame work for the entire credit management process. Written credit policies are the corner stone of sound credit management. The set objective standards and parameters to guide bank offices who guaranty loans and manage the loan portfolio. They also provide the board of direct as, regulations and internal and external auditors with a basis for evaluating a bank's credit management performance. When credit policies are carefully by all organizational levels, they enable bank management to

maintain proper credit standards, avoid excessive risks and evaluate business opportunities properly, (Din an mc magnetron, the world book, 1996).

2.1.4.2 Credit Directives

The address policy issues in response to change in markets and economic conditions, banks often disseminate especially designated credit policy directives. The directives typically provide general parameters for the type of credit that bank will offer and the type of customer, and markets it will serve, as dictate by current Strategic decisions. They will also regulate loan concentration levels in particular market sector or industries the lending division often insures or modifies directives but challis is issued by the credit policies division under the responsibility of senior credit policy committee or senior loan committee. Directives and policy manual constitute the sum total of credit policy of a bank at one time officers must familiarizes themselves and comply with these documents. Compliances control both during the process of loan approval and after disbursement control functions are carried out by internal and external auditors, independent loan review function directors, committees, and regulators may policy and directives to one of staff-group and assign the task of monitoring the application of these lending policies as well as the quality of the bank portfolio to their group (Mish kin (2003), 597-598).

2.1.4.3 Credit Procedures

The lending procedures also usually comply in the credit policy manual may cover the submission and procedures to minimizing credit files and exchanging credit information with banks and supplies. Procedures may also cover the aspects of lending that are govern by regulation or law, other items often include certain to credit review, and inspection, outstanding debts, doubtful assets and recovery process. The procedures include maintaining and generating liability record to support periodic reveals for credit renewal, generating loan compliance check lists, and per paring reports on account profit ability and market exposure, (Muller 1998:29).

2.1.4.4 Credit Process

In a well-run bank, a close linkage is maintaining by policy process and audit process is the line driven operational arm of lending and lending strategy. It is immediate concern of line supervisors and loan officers' banks vary in how the initiate business process and approve credits and keep abreast of them offer they are booked, but the ingredients are similar each bank has its own personality based on tradition, management style and market trust. Each decides how best to structure its resources and talent, they process designs with identifying the lending markets often referred as target markets and proceed through a series of stages to loan repayment, (Muller, 1998:30).

2.1.5 Credit Analysis

Once a customer requests a loan bank officers analyze all available information to determine whether the loan meets the banks risk return objectives. Credit analysis essentially default risk analysis, in which a loan officer attempts to evaluate a borrower's ability and willingness to repay. Traditionally, key risk factors have been classified according the five C's of credit. Banks in order to achieve their profit objectives, they make successful loan that are paid bank almost in full and so subject the institution to little credit risks. In order to overcome the problems of credit risk, banks need to evaluate the credit worthiness of individual of business concern base on relevant factors indicating ability and willingness to pay obligations. There is no magical formula that will assist banks in assessing the probability that a given customer will not pay.

In general terms, credit analysis of banks often uses classic SCS of credit to focus their analysis on the key dimension of an applicant's credit worthiness. These dimensions are.

Character:-is the applicant willingness as to mat credit obligation. Without character and integrity no person can be trusted. Character includes integrity of purpose, reputation for honesty, promptness in paying debt and fulfilling contracts, high standards of business ethics and the like. The risk associated with these factors is moral risk.

Capacity: - refers to the applicant's ability to meet credit obligation out of operating cash flows. Capacity involves business ability reputation of product, to undress of business practically as evidenced by profit making records. The index of measuring capacity is detailed comparative operating statements. By which the rate of return to invested capital over period of time is discussed. Capacity involves both the borrower's legal standard and management's expertise in maintaining operations to the firm or individual can repay its debt obligation. A business must have identifiable cash flow or alternative source of cash to repay debt. An individual must be able to generate income.

Capital: - is the applicant's net worth or financial reserve. It is the financial strength of the applicant as reflected by its owner ship position. Analysis of applicant's debt relative to equity and its profitability ratios are frequently used to access its capital.

Collateral: - the amount of asset the applicant available for use in securing the credit. The larger the available assets, the greater the chance will cover its funds if the applicant defaulted. A review of applicant's assets can be used as evaluate its collateral.

Conditions: -refers to the current economic and business climate as well as any unique circumstances affecting either party to the credit transaction.

Fist two C.S character and capacity because they represent the most basic requirements for extending credit to applicants' consideration of the last three C.S capital, collateral and conditions are in making the final credit decision, which is affected by credit analysts experience and judgment (Smith, 2003)

2.1.6 Credit of Standard

Credit standard is a minimum criterion for extension of credit to customer. It enables the credit management to accept the desirable clients and the undesirable once. Setting credit standards implicitly require as a management of credit quality, which are defined interims of the probability of borrower default. The probability of a given borrower to pay the loan is by a subjective judgment.

However, a system of credit standard enhances the ability of the credit manager to make the correct decision if use fairly and consistently.

2.1.7 Credit Term

Credit term involved both the length of the credit period and the bank may encourage it to diversity. If the company business is vulnerable to technology change the bank may insist that more effort be spend on research more development (coperand, 1981)

2.1.8 Lending Guidelines

All banks should have established credit polices (“lending guidelines”) that clearly outline the senior management view of business development priorities and the terms and conditions that should be adhere to in order for loan to be approved.

2.1.9 Risk Management as a Process for Individuals And Organizations

In general terms, risk management is the process by which an individual’s try to are that the risks to which she/he exposed are those risks to which thinks she is and is willing to be exposed to in order to lead the life she wants. This is not necessarily synonymous with risk reduction. As indicated some risk is family tolerated, whether others may be calculated dry reduced. Instill other instances; form individuals may conclude that their risk profile is not risks enough. A man who is extremely late to an important meeting and about which his bus pulls away from the curb may not only willingly fail to look both ways at a cross walk, but he might perhaps quite rationally conclude that the risk of being rate is so much higher than the risk of being hit by a car that bounding across the intersection when the light is green seems like the right Judgment cell.

The process of risk management can differ based on both the risk (s) being managed and the agent managing them. First and for most, risk management is a problem faced by individuals although organizations, like companies are just collections of individuals, organizations face a set of risks all their own.

2.1.10 Risk Management for Individuals

Risk management begins at the level of the acting human agent homo economics us, or economic man. The decision to make up is a type of risk management decision or more specifically, the deliberate decision not to wake up again represents the most extreme version of UN willingness to manage risk. Once the decision to like another day has been made, nearly each decision that follows has to me risk management dimension to it. Reputation risks can also affect individuals through their professional lives. An actor who does a bad job or takes a bad script runs the risk of attracting subsequently fewer fans and fewer high-quality scripts.

2.1.11 Risk Management for Organizations

Organizations are collection of individual. A financial exchange is a collection of traders and the personnel who manage the exchanges, trading, infrastructure, and so on.

Fama and Jensen (1985) define four types of organizations, distinguished principally by the different relationships between stock holders, managers, and uses of the organization. The first type of organization is an open corporation, characterized by the as most complete specialization of decision management and residual risk bearing. The residual claims Open Corporation's common stock which can be freely bought and sold in the capital market.

A second type of organization is a closed corporation or proprietorship. These are organizations in which management and ownership overlap significantly. The third organizational calcification is called the financial mutual. These types of organizations have residual claimants who are also the customers of the organization

2.1.12 Different Types of Risks

Market risk: - Market risk arises from the event of a change some market determined assets price, reference rate example, labor or index. The events that define market risk can be separated in to two categories.

The first type of event that generates market risk fines market risk based on the type of asset class whose price changes are impacting the exposure in question. A common form of assets class-based market risk is known as interest rate risk or the risk that the balance sheet assets, liability and off-balance sheet items of a firm including its derivatives will change in value as interest rates change. Any market determined prices, rate or index; value that impacts the cash flows of an exposure is called a risk factor. If we are interested in the present value of an asset, the discount rate also comes into play, although convention does not classify it as a risk factor. Market risk generally is classified by using a colorful argot known as fraternity row.

Delta is the risk that the value of an exposure will be deteriorated as the price or value of some underlying risk factor changes, all else equal.

Liquidity Risk: - Liquidity risk occurs in the event that cash inflows and current balanced are insufficient to cover cash out flow requirements, often necessitating costly asset liquidity to generate temporary cash inflows. Most firms, both financial and non-financial, have liquidity plans designed to manage funding risks.

Liquidity risk is also including a type of risk called Market liquidity risk, or the risk that volatile markets will inhibit the liquidation of losing Trans actions and/or the establishment of new transactions to hedge existing market risk explosives.

Credit risk: -Credit risk is the risk that the actual or possible nonperformance by a firm. Credit risk can be subdivided among a variety of different dimensions, two of which will be summarized different briefly here, settlement versus resettlement credit risk, and direct versus indirect risk.

Operational risk: - Operational risk is the risk that failures in computer systems, internal supervision and control, or events such as natural disasters will impose unexpected lasses on affirms derivatives positions. Consider a firm that enters in to a variety of customized transactions financial and commercial governed by non-standard constructs rather than master agreements. If the firm has a fire and its documentation is destroyed, its portfolio might literally become unidentifiable in a matter of minutes other aspects of

operational risk relate to personnel quality and internal controls. Fraud or irresponsible trading activities by employees are a type of operational risk.

Legal Risk: - Legal risk is the risk that a firm will incur a loss if a contract it thought mass enforceable actually is not. The global Derivatives study group (1993) identified several sources of legal risk for innovative financial instruments that are often associated with risk management, including conflicts between oral contract formation and the statutes of frauds in certain countries and jurisdictions the capacity of certain entotic example, municipalities to enter in the certain types of transactions, the enforce ability of close out netting and the legality of financial instruments. In addition, unexpected changes in laws and reservations can expose firms to potential losses as well.

2.1.13 Direct Versus Indirect Credit Risk

A second perspective from which credit risk can be viewed pertains not to the timing of the default as in the prior section but instead to the source of the risk.

- ❖ **Direct Credit risk:** - Direct credit risk is the risk of a failure by a counter party to deliver assets or funds when required to do so or an increase in the perceived probability that such a failure will occur in the future. The former is typically called default risk, and the latter down grade risk. In either case, the direct credit risk borne by a company is limited to the counter parties and security issuers with which that company has direct contractual relations.
- ❖ **Indirect credit risk:** - Indirect credit risk sometimes called credit dependent market risk or spread risk is the risk that the value of an asset declines because of a change in the credit risk of some firm which the enterprise has no direct dealings (FNMA (LIBOR) and Federal Reserve Board Greasury)

2.1.14 Five C's Of Bad Debt (Credit)

1. Carelessness:-Involve poor underwriting, typically evidenced by inadequate loan documentation, lack current financial information in the credit files and a lack of protective covenants in the loan agreement.
2. Complacency:-refers to the tendency to assume that because things were good in the past, they will be good in the future.
3. Communication breakdown:-loan problems often arise when a bank's objectives and policies are not clearly communicated. Management should articulate and enforce loan policies and loan officer should make management aware of specific problems with existing loan as soon as they appear.
4. Contingency:-refers to lenders tendency to play down or ignore circumstance in which a loan might default. The focus is trying to make a deal work rather than identifying down side risk.
5. Competition:-involves following competitors' behavior rather than maintaining the bank's own credit standards. Just because the bank down the street is doing something does not mean it's good.

2.2 Empirical Literature

Medhin Moges (2016) investigated Assessment of Credit Risk Management (A Case Study of Commercial Bank of Ethiopia). The general objective of the study is to assess the Credit Risk Management of Commercial Bank of Ethiopia (CBE). with specific objectives To assess credit risk management environment & activity of board of director's responsibility related to credit risk management in Commercial bank of Ethiopia, To examine the operation of a credit granting process & activity the management of the bank related to credit risk management in Commercial bank of Ethiopia, To assess the appropriateness of credit administration, measurement and monitoring process in Commercial bank of Ethiopia, To identify the adequacy of controls over credit risk in

Commercial bank of Ethiopia. The methods that used for research are Research Design this research is classified as descriptive research. The researcher employed mainly primary data which is collected by means of questionnaire by drop-off survey method to collect relevant data from the respondents in order to evaluate the employee's perception on credit risk management practice of their organization. Besides to these the secondary data is used in order to know the number of employees working in credit areas in each bank on employees' record of the bank. The researcher studied aims to fill those gaps by assessing the bank's credit risk management practice by using some requirements through collecting primary data on commercial bank of Ethiopia specifically in head office & selected branches found in Addis Ababa city. From the finding we can generalize that the commercial bank of Ethiopia follows the guideline developed by both the National Bank of Ethiopia and the Basel committee better, however even though there are good/high credit risk management practices, which means a steady performance on controlling risks arise from credit. On the basis of the results and conclusions of this study, the commercial bank of Ethiopia have good/high credit risk management practices, so the recommendation of the bank should sustain the good credit management practice in the four dimension such as establish appropriate Credit risk management environment by making continuous follow up that all responsible body fulfill its responsibility on reviewing and approving , the credit risk strategy and significant credit risk policies of the banks by establishing clear process in place for approving new credits as well as the amendment, renewal and re-financing of existing ones , evaluate & improve Credit Granting Process periodically , maintain an appropriate Credit Administration, Measurement and Monitoring Process, evaluate adequacy of Credit Risk Control.

Fikremariam zergaw (2018) investigated factors affecting credit risk management practices, the case of selected private commercial banks in Ethiopia. The major objective of the study is to assess factor affecting credit risk management practice of private commercial banks in Ethiopia. With the Specific Objective To examine the effect of establishing Credit risk environments on credit risk management practice of the Banks, To assess credit granting processes of the banks and its effect on credit risk management practice of the banks, To examine the effect of Credit Measurement and Monitoring process of the banks in credit risk management practice, To examine the effect of Market risk on the credit risk management practice of the banks, To examine the effect of operational

challenges on the credit risk management practice of the banks and, To examine the effect of legality risk on credit management practice of the banks. The methods that used for research are dependent and independent variables. The major finding of the of the researcher is to fill this gap on literature and to make an effort to bring empirical evidence by identifying major factors affecting credit risk management practice of private commercial banks in Ethiopia. For data collection Data Collection, the quantitative and qualitative data collection tools were applied to collect data from the concerned bodies. Accordingly, questionnaire and interview used as instrument of data collection. He concludes effect of legality risk on credit risk of the studied banks were not as such significant compared to the others variables. This is because majority of banks having strategies, policies, programs and procedures related to credit risk management, have also secured approvals on the documents from relevant authorities so that the problem of legality was not significant he put some recommendations Hence, improving performance requires to institute a strong credit risk management system that can efficiently identify bankable borrowers and a system that can monitor their performance after the loan is granted, A well-structured internal risk rating system is a good means of differentiating the degree of credit risk in the different credit exposures of a bank. This will allow more accurate determination of the overall characteristics of the credit portfolio, concentrations, problem credits, and the adequacy of loan loss reserves. Thus, all banks are encouraged to develop and utilize an internal risk rating system to manage credit risk.

Gedefaw Getaneh (2019) assessment of credit risk management systems and practices of Ethiopian commercial banks (case of some private banks).The general objective of the study was to assess or examine credit risk management system and practice in Ethiopian banking industry in some of private sector banks (i.e., Berhan International Bank S.C, Bunna International Bank S.C, Dehub Global Bank S.C and Enat Bank S.C) with specific objectives to assess the four private commercial banks established appropriate credit risk environment to review the four private commercial banks that has undertaken sound credit granting process, to assess the four private commercial banks have proper credit administration, measurement and monitoring process, to review the four private commercial banks that ensured the adequate control over credit risk and ,to assess the four private commercial banks that have effective credit risk management system and practice. The research undertakes descriptive approach using both qualitative and quantitative data. For

Sample Size, Professionals working in the four commercial banks out of 18 in Ethiopian banks, related to credit and credit related operations as a whole were taken as participants of the study. These were Berhan International Bank S.C, Bunna International Bank S.C, Dehub Global Bank S.C and Enat Bank S.C. for data collection both primary and secondary data were used. The studied concluded that banks used different credit risk management tools, techniques and assessment models to manage their credit risk, and that they all have one main objective, i.e. to reduce the amount of loan default which was the principal cause of bank failures. The studied also reveals that banks with good or sound credit risk management policies have lower loan default ratios (bad loans) and higher interest income (profitability). He recommended Commercial banks should further enhance credit limit system, level of credit diversification and obtaining sufficient and up-to-date data relatively. Banks need to give attention that profile of risk management staffs, efficiency of intermediation process and risk management training. Early identification of default sign, conducting independent credit quality review and monitoring risk profile are some issues that banks need to give attention.

Yitagesu Assabe (2016) investigated Assessment of Credit Risk Management Practice a Case of Commercial Bank of Ethiopia, Debre Birhan Branch. The major objective of the studied is to assess the credit risk management of Commercial Bank of Ethiopia, Debre Birhan branch. With specific objective to examine the importance of credit and risk management in commercial bank of Ethiopia, investigate the mechanism of credit and risk management in commercial bank of Ethiopia and, point out the main factors that affects credit and risk management in CBE .the methods that used for research are Research Design this research is classified as descriptive research. Source of data primary and secondary data sources. For Method of Data Collection, the researcher was collected primary data like questionnaire with customer and interview for employee of the bank, and secondary data was collected documents analysis of the bank. Target population and sampling size Based on the researcher's convincing the sample size for the study were 40 customers and 20 employees. Sampling techniques in order to collect data from customer non-probability sampling techniques, especially convenience sampling technique was used to its easiness, cheapest and accessibility to research. The major finding is. What is the importance of credit and risk management in CBE? What are the mechanisms of credit and risk management in CBE? What is the main factor that affects credit and risk management in CBE? Some conclusions of the studies are as most of the borrowers of the

lending branch are semiliterate, they present financial statement, which do not clearly show their liquidity and ability to generate profit. Their business survival and their business major obstacle in making profits. The bank should give a major emphasis to overcome the problem of non-performing loan which rise in losses due to foreign exchange exposure, interest rate mismatch and decline in the value of investment, so that be successful in the profit of their credit service. The bank should manage the credit rating system significantly and intended to focus during application of credit and evaluation of collateral's form gathered information.

2.3 Summary and Knowledge Gap

There might be other prior studies that will be corresponding to this study. But, the researchers of this research paper has accessed the research that was done by researchers in 2016. Long term credit is worse than short and medium-term credit because the amount of credit as studied by researchers on commercial bank of Ethiopia in prior period with assessing for credit risk management in the researchers concluded that lack of assessing borrower's timely economic status leads the bank to be bankrupted. This means many banks neglect obtaining periodic information about borrowers. But credit granting period long, medium- or short-term credit, and borrowers' information validity, the other major factors were not searched out.

Default increases as the credit period is getting longer and longer. The most credit policy and procedures of the bank include providing service on loan application, and applying acceptable credit analysis and appraisal functions. The objective of my research proposal on credit risk management are to ensure a uniform bank approach to assess decision making of all level in the bank to enable lending officers to focus on better quality clients and to analysis the degree of the risk involvements on credit. The cause for the existence of credit risk in the bank are lack of prudent lending, market failure, incomplete information, weakness in collateral arrangement and time specification. The mechanisms to improve the credit risk management include providing independent report to the sub-board risk management committee of the bank and indicating revision of the guidelines. This study will assess such time specification and borrower's information validity. In addition to this removal of exemptions, loopholes, and concessions can simplify administer and

reduce credit risk. Taking a systematic view of credit granting system, rationalization, simplification, and the removal of anomalies should have the effect of reducing the administrative costs of identification, assessment, auditing and enforcement to show by my research proposal. This study fills the gap the time of data collections our research uses more recent data but the pervious researchers used old data. Since the collect data will be available as well as most effective. Since fikremariam zergaw he studied only factors affecting credit risk management practice of commercial private banks of Ethiopia. But in my study, they will be assessing impacts of credit risk on commercial bank of Ethiopia and solution for credit ris

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Research Design

This study used descriptive study design because the aim was to describe the prevailing credit risk management of the commercial bank of Ethiopia in bekur branch. This research design gives a better and deeper understanding of a study on the basis of an in-depth study of the research problems. Further, the researchers utilize a survey as a research method.

3.2 Research Approach

In order to achieve the objectives of the study, the research undertake research approach using both qualitative and quantitative data. In doing so, the study would be intended to describe, and interpret the existing facts about credit management.

3.3. Source Of Data And Data Collection Method

The study used primary sources of data which was collected from respondents directly through structured questionnaire. For the purpose of the study, Primary data was collected through closed questionnaires distributed to respondents that involve professional working in the banks such as Department Managers and Senior Officers working on loan processing. The reasons use closed quaternary was it is easier and quicker for respondents to answer, the answers of different respondents were easier to compare, answers were easier to statistically analyze, the response choices can clarify question meaning for respondents

3.4. Target Population

The target population for the study was bank credit risk manager, customer service, credit officers and operational manager which the total number of employee's is 26 in this number of employees 24 is male and others would been females.

3.5. Sample Size And Technique

The researcher selected 26 of the total employees for this study. The researcher employed census method because the researcher believes that the relevant information can be obtained from these individuals or respondents. Because the respondent was minimum so the researcher used this method in order to get accurate information (from bekur branch).

3.6. Data Analysis Method

After collected the necessary data from different sources mentioned above, the researcher used both quantitative (percentage), qualitative data analysis (narration) methods, data analysis was carried out using descriptive statistics by applying statistical package for social scientist (SPSS) to present the data would be organizing and convenient manner and the other was used to by table Due to qualitative and quantitative nature of data that were gathered.

CHAPTER FOUR

4. DATA ANALYSIS AND INTERPRETATION

In this section, data obtained by way of questionnaire was analyzed and the questionnaire was distributed to 26 credit risk management employees of the bank who are assumed to have direct work relationship with the risk management system of the Bank and all respondents have completed and submitted the questionnaires.

Table 1 Distributed and returned questionnaires to and by the management & officers of the Bank.

Questionnaire	Number of respondents	Percentage of respondents
Distributed	26	100%
returned	26	100%
Non returned	0	0

Table 4.1 personal information

Question		Respondents	
		Number	%
1 Sex			

	Male	24	92.3%
	Female	2	7.7%
Total		26	100%
2 Age			
20-29		20	76.9%
30-39		4	15.4%
40-49		2	7.7%
50-59		-	-
Above60		-	-
Total		26	100%
3 Educational background			
Diploma		-	-

BA Degree	20	76.9%
Masters	6	23.1%
Above	-	-
Total	26	100%

4experience year		
lessthan 1 year	6	23.1%
1-2years	15	57.7%
3-5year	3	11.5%
>5year	2	7.7%
Total	26	100%

(Source; own survey, 2020)

From the above table 4.1 on item 1, 20(76.9%) of the respondents are within the age range of 20-29, 4(15.4%) are in the age range of 30-39, 2(7.7%) are in the age range of 40-49, the remain 50-59 and above 60 years don't participant at commercial bank of Ethiopia in bekur branch. When we look at item 2 of table 1, gender characteristics of the respondents, 24 (92.3%) of the total respondents are

males, and 2(7.7%) of the respondents are female. When we come to item 3 of table 1, indicates the education level of respondents. According to this table none of the respondents are grade 12 complete and diploma holders, 20(76.9%) of the respondents are degree holders, 6(23.1%) of the respondents are masters, and none the rest respondents hold PhD. From this data we can understand the whole constitutes all types of employees based on education level in the organization.

Item number 4, of table 1 is about employees work experiences. From all the total respondent 6(23.1%) of the respondents are less than one-year service 15(57.7%) Of the respondents are 1-2 years, 3(11.5%) have served 3-5 years, 2 (7.7%) have served the organization for more than five years. This implies that majority of the workers have served the organization for 1-2 years.

4.1 General Credit Risk Management

As banks have different credit risk management polices /philosophies, same do the risk management practices differ from one financial institution to another despite the fact that they can be open to the same risk type, after this below the table interpret the general credit risk management practice.

Table 4.2 regarding Organization Authority on credit risk management policy

Question	Description	Response	
		Number	%
1, Who has the authority to establish credit risk management policy in your organization?	Chief executive offices	0	0
	Credit manger	15	57.7
	Board of Director	11	42.3%
	Total	26	100%

(Source; own survey, 2020)

In the above table; none of the respondents are chief executive offices and 15(57.7%) of the respondents are credit managers. The remain 11(42.3%) of the respondents are board of directors establish the banks credit risk management. As primary data indicates the guideline or the policy designed are critical successes of the bank in the area of credit risk because effective in credit risk management is very essential to any financial institutions. Creating easily understandable policies and guidance usually enables the financial institutions to know whether they are achieving good financial performance or not in relation with managing credit risk.

Table 4.3 Length of time required to change policy.

Question	Description	Response	%
2, How often does your organization change its guidance and policy to manage credit risk?	Once per two years	18	69.2%
	Once in more than two years	8	30.8%
	Never	-	-
	Total	26	100%

(Source; own survey, 2020)

The above table; 18(69.2%) of respondent responded once per year and the remain 8(30.8%) ‘Above two years’ Credit administration is critical for the management of credit indicates once a credit is granted.

manage credit risk of respondents replied that the bank changes its credit risk management after a minimum of one year of implementation. This indicates the policy designed can effectively manage credit risk of the organization.

Table 4.4 Statistics

Question	description	response	%
3 how do rate the effectiveness of your organization risk management effectiveness	Very good	2	7.7 %
	Bad	6	23.1%
	Far	10	38.5%
	Good	8	30.8%
	Total	26	100%

(Source; own survey, 2020)

In the above table the majority employee or 10(38.5%) responses that rate of effectiveness organization risk management effectiveness in the commercial bank of Ethiopia at bekur branch is fair. The remain 6(23.1%), of the respondents were rate of effectiveness of organization risk management effectiveness is bad or don't appropriate, and the other or 8(30.8%), 2(7.7%) of the respondents were rate of effectiveness of organization risk management effectiveness is good and very good respectively.

Table 4.5 Employees expectation from Effective Risk Management.

Question	Advantages	Response	
		Number	%

4, What is your expectation from effective credit risk Management?	Reduce financial Loss	0	0
	Improves Effective Resource Allocation	0	0
	Improve communication with stake holders	0	0
	Has all the mentioned advantages	26	100%
	Total	26	100%

(Source; own survey, 2019)

According Table 4.5 shows that 26(100%) of the respondents believe that effective credit risk management activity is important in order to reduce any financial loss as well as it leads the bank in to more profitable arena of the business; i.e. it improves effective resource allocation and also it improves communication with stakeholders. This implies that Effective risk management practice was the bank would be used the reduce financial loss, improves effective resource allocation and improve communication with stake holder so has all the mentioned advantages.

Table 4.6 risk management practice

Question	Description	Response	%
5, How does your organization effectively communicate to reduce credit risk?	Fast and sharp communication between management team and stakeholder.	0	0
	Creation clear and truss worthy information.	0	0
	Regularly communicating among management and	0	0

	safety.		
	Creation and maintaining a clear communication.	0	0
	All are the advantages of effectively communicate	26	100%
	Total	26	100 %

(Source, own survey, 2020)

In the above table 26 (100%) of the respondents were all are the advantages of effectively communicate reduce credit risk in the organization.

According to your organization effectively communicate to reduce credit risk all the respondents that the uses all technique CBE at bekur branch that are believed to improve communication in the bank. The bank tries to reduce the risk of credit by creating effective communication between all concerned bodies facilitating communication throughout the organization regarding the issue will reduce the severity of the problem. In addition to this the bank has internal credit rating system in order to know about the effectiveness of the method used in the area of risk and in order to take remedial action. There is also a serious of meeting with plan to have an idea regarding risk it is occurs in the future.

Table 4.7 Often training counseling in the organization

Question	Description	Response	%
6, How often does your organization provide credit risk management training counseling?	One time per year	10	38.4%
	Two times per year	8	30.8%
	More than two year	6	23.1%
	Never	2	7.7%
	Total	26	100%

(Source, own survey, 2020)

The above table 4.7 the organization or commercial bank of Ethiopia at bekur branch the majority respondent or 10(38.4%) of the respondents were the organization provides credit risk management training counseling one time in a year, and 8(30.8) answers two times a year, and 6 (23.1%) of the respondents were the organization provides credit risk management training counseling more than two years and the remaining 2(7.7%) of the respondents were provide risk management training counseling is never appropriates. This implies that the organization or commercial bank of Ethiopia at bekur branch the majority respondent were the organization provides credit risk management training counseling one time in a year

Table 4.8 types of credit risk

Question	Description	Response	%
7, Types of credit risk face in the organization?	Credit default risk	0	0
	Concentration risk	0	0
	Country risk	0	0
	All the credit risk in the organization	26	100%
	Total	26	100%

(Source; own survey, 2020)

In the above table 26(100%) of all the respondents respond that all types credit risk face in the organization.

Table 4.9 Challenges of credit risk management

The problem or challenges of credit risk management practice in the organization was inefficient data managements in one challenge of the organization and the other lacking risk tool, finally less than intuitive reporting and visualize so the bank used minimize this problem or challenge and interpret the below table,

Question	Description	Response	%
8, What challenges	Inefficient data management	16	61.5%

you face in credit risk management?	Lacking risk tool	7	27%
	Less than intuitive reporting and visualize	3	11.5%
	Total	26	100%

(Source, own survey, 2020)

In above table 4.9 16(61.5%) of the respondents are inefficient data management ,7(27%) of the respondents are lacking risk tool the remain 3(11.5%) of the respondents are less intuitive reporting and visualize. commercial bank of Ethiopia in bekur branch the major challenge in credit risk management is inefficient management of data in the organization, And the next most challenge of credit risk management is lack of risk tool to manage the risk in the organization, intuitive report and visualize challenge are less factor to manage credit risk.

Table 4.10 Credit Approval Method

Question	Description	Response	%
9, Dose the bank have credit approval method?	Yes	20	77%
	No	6	23%
	Total	26	100%

(Source; own survey, 2020)

According to the above table 20(77%) the respondents accepted because of the bank reduce the credit risk fulfill of the guidelines of the bank and remaining 6(23%) of the respondents is not understand the guidelines of the regulation of the bank. This implies that majority of the respondents reduce the credit risk fulfill of the guidelines of the bank.

Table 4.11 Documented credit risk management policy

10, Does your organization have a documented credit risk management policy?	Description	Response	%
	Yes	18	69.2%
	No	8	30.8%
	Total	26	100%

(Source; own survey, 2020)

According to table documented credit risk management in the majority respondent or 18(69.2%) were commercial bank of Ethiopia at bekur branch know use documented credit risk Management in their organization. And the small number of respondent or 8(30.8%) of the respondents are the organization don't use documentary credit risk Management. This implies that majority of the respondents are the organization use documentary credit risk management.

Table 4.12 risk management process

Question	Description	Response	%
11, What are the major kinds of method or process used by the	Risk identification	0	100%
	Risk measurement	0	100%

organization in credit risk management?	Assessment control and monitor	0	100%
	All the process or steps of risk management	26	100%
	Total	26	100%

(Source; own survey, 2020)

In above table 4.12 26(100%) of the respondents are used risk identification process, one of the respondents are used risk measurement and assessment control and monitor. This implies that majority of the respondent's in commercial bank of Ethiopia in bekur branch used all process of credit risk management method.

Table 4.13 reduce the challenges of credit risk

The bank or the organization would be first see how to reducing the credit risk in the organization to preservation or secured any financial loss of the bank to use this technique or reduce the challenges of credit risk on the organization Pricing the loan, collateral or security, credit limit and diversification interpret the table.

Question	Description	Response	%
12, What measure the bank took to reduce the challenges of credit risk?	Collateral or security	11	42.3%
	Credit limit	9	34.6%
	Diversification	6	23.1%
	Pricing the loan	-	-
	Total	26	100%

(Source; own survey, 2020)

In the above table 4.13,11(42.3%) of the respondents were reserved as collateral or security,9(34.6%) of the respondents were the organization is negotiated in our organization the debtors come up the bank provision of credit limit, the 6(23.1%)of respondents were reserved as diversification.

According to the above table the commercial bank of Ethiopia at bekur branch how to reduce the credit risk on the organization the majority respondent was measure or reduce the challenges of credit risk

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

The bank has both strong and weak sides. Detail financial analysis of past financial history of the borrowers and forecasting of the future prospective development enabled the bank to identify the capacity of the borrowers and to process loan in the safest condition. This was one of the bank's strong points. The other strong point of the bank is introduction of wide area network (WAN) which makes the bank to have efficient communication system with its branches easily and all current information would reach to the management on time so that timely decision would be made without severe damage or loss which was basically required to have such trend among other banks in Ethiopia so that they can adopt information technologies which would enable them to communicate easily among banks. Unfortunately, however, the weak sides outweigh their antagonists and/or competitors. Most of them are discussed above in the analysis of the findings. Just to highlight some of them:

- ✓ Most employees lack awareness about a documented management policy, and strategies of risk management system.
- ✓ Lack of sufficient, knowledge. Most of the banks customer has not adequate and systematic financial statements which have a negative impact on the bank. since the bank cannot able to get sufficient information regarding customer finance it will not be able to provide loan as well as it will not be an easy task at the time when the borrower delay payment on due date.
- ✓ Credit Risk is more available in the bank or organization like country risk, credit default risk and concentration risk
- ✓ The Challenges or problems face in credit risk in the organization is inefficient data management, lacking risk tool and less than intuitive reporting and visualization.

Generally, the entire problem let the risk to be high in the bank. So, before the occurrence of any risk regarding credit there must be proactive techniques that lead the bank to be more effective and successful in the area of credit. Credit risk management mechanisms would be good for the business. Those are screening and monitoring, long term customer relationship, collateral

requirements and credit rationing that are important for success of banks by determining its profitability, liquidity, solvency and amount of portfolio.

5.2. Recommendations

Based on the fact observed from the questionnaire and weaknesses identified, the following are recommended as possible solutions, which might alleviate the shortcomings and to reduce various risk management costs:

- ✓ The Management of buker branch should arrange duplication of risk management manuals, policies and procedures, prepare publications and distributes to employees so that every employee would have each and every employee were crate awareness or clear understanding about the risk management documented policies and procedures, of the Bank so that they can protect the company accordingly and recommend alternative ways.
- ✓ The bank should implement effective credit risk evaluation system by designing cost effective techniques in order to reduce the risk and to maximize return. It should have also examined internal and external factor that affect the operation of risk management and also. It had better to assess the financial background of the borrowers on the ongoing stage of their operation.
- ✓ The organization crate awareness or reduce credit risk to the organization by reducing or minimizing country risk, credit default risk and finally concentration risk (diversification of risk).
- ✓ Prepare sufficient data management and maintain or attending risk too, greater intuitive reporting and improve the visualization of the bank or organization.

In general, the bank should have to set preventive technique measures the bank took to reduce or minimize of credit risk which include, setting credit limit, pricing the loan and also request in more collateral to offset the increased probability of loss in credit. In addition, the bank need have to give more concern on checking the borrower's character, Condition, capacity and collateral in order to manage its credit risk and to create stable financial environment.

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APPENDIX

Wolkite University
College of business and economics
Department of Accounting and Finance

Dear respondents:

This is questionnaire designed to collect data for the research to be done on the title The assessment of credit risk management (in case of commercial bank of Ethiopia in bekur branch) which would be used as an input for a paper in a partial fulfillment of B.A. degree in Accounting and Finance. Your genuine response is solely used for academic purpose and the data would be treated its most confidentiality. Therefore, your kindly co-operation is appreciated in advance.

Instruction: Use "x" to indicate your choice for your answer for the choice part.

Part II: Personal information

1. Gender male female
2. Age 20-29 30-39 40-49 50-59 above 60
3. Higher education levels
Diploma BA degree masters above
4. Experience year?
Less than1 year 1-2 year 3-5 year >5 year

Part II: Credit risk management information

1. Who has the authority to establish credit risk management policy in your organization?
Chief executive Officer Loan officer Credit manager Board of director

Other please specify

2. Does your organization have a documented credit risk management policy?

Yes No

3. How often does your organization change its guidelines or policies to manage credit risk?

Once per year once per two year once in more than two year never

Please specify the reason for modification

4. How do rate the effectiveness of your organization risk management effectiveness

Very bad bad fair good very good

5. What is your expectation from the effective credit risk management in your Organization?

You can choose more than one option

Reduce financial loss

Improve effective resource allocation

Improve communication with the stakeholder

Others please specify.....

6. How does your organization effectively communicate to reduce credit risk? you can choose more than one answer

Creating clear trust worthy information

Fast and sharp communication between management from and stakeholder

Regularly communicating among management and staff

Creating and maintain a clear communication

If other please specify

7. How often does your organization provide credit risk management training counseling?

One time per year two times per year

More than two year never

8. Types of credit risk face in the organization

Credit default risk Concentration risk Country risk

If others please specify

9. What challenges you face in credit risk management

Inefficient data management

Lacking risk tool

Less than intuitive reporting and visualization

If others please specify

10. Does the bank has credit approval method?

Yes No

Please specify the reason

11. What are the major kinds of method or process used by the organization in credit risk management?

Risk identification Risk measurement Assessment control and monitor

If others please specify

12. What measures the bank took to reduce the challenges of credit risk?

Collateral or security

Credit limit

diversificztion

pricing the loan