

**THE EFFECTS OF CREDIT POLICIES ON THE PERFORMANCE OF
LOAN OFFICERS IN CENTENARY RURAL DEVELOPMENT BANK,
KAMPALA BRANCHES.**

BY

KWAGALA MILLY

BBA (ACCOUNTING) HONS, ACCA STAGE I.

**A DESSERTATION SUBMITTED TO THE DEPARTMENT OF BUSINESS
STUDIES, FACULTY OF MANAGEMENT STUDIES IN PARTIAL
FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF A
MASTER OF BUSINESS ADMINISTRATION DEGREE OF THE ISLAMIC
UNIVERSITY IN UGANDA.**

JANUARY 2006.

Abstract

This research was about the effects of credit policies on the performance of Loan Officers in Centenary Rural Development Bank, Kampala branches.

These were the set objectives to determine the effects of the credit policies on the performance of loan officers; 1) determine the current credit policies in Centenary Rural Development Bank, 2) determine the effectiveness of the credit policies in the Bank using selected parameters, 3) determine the performance of loan officers in Centenary Rural Development Bank.

A sample size of 70 (seventy) loan clients from the four branches were selected using simple random sampling in order to avoid bias and to get a representative sample from the study population. Thirty eight (38) loan officers were purposively selected to participate in the survey and were given a questionnaire.

The data collection process comprised: self-administered questionnaires that were distributed to a sample of 50 loan clients. The questionnaire consisted of both open ended and closed ended questions. The open-ended questions allow a flow of qualitative data to the questionnaire. Another random sample of 20 loan clients were subjected to direct interview using a survey guide.

The study used the parameters of portfolio growth, number of loans processed, arrear rates and processing speed of loan officers to measure the performance of loan officers in the bank.

In order to assess the effects of credit policies on the performance of loan officers, a chi-square, regression analysis, and descriptive statistics was used.

Results indicate that 1) there are clear credit policies in the Bank, 2) the information policy and the arrear rate parameter need to be revised in order to be effective and register good performance, 3) the performance of the loan officers is above the average of 50% but below the set target of 80%.

Based on the findings, it was suggested that some of the policies be revised and the management should develop means to change the attitude of loan officers towards the credit policies; and develop an attitude of appreciating the credit policies as a control and not hindrances to performance.