

MAKERERE



UNIVERSITY

COLLEGE OF BUSINESS AND MANAGEMENT SCIENCES

**ANALYZING NON-PERFORMING LOANS (NPL's) IN
CENTENARY BANK LIMITED**

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2014/HD06/1857U

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**A RESEARCH REPORT SUBMITTED TO COLLEGE OF BUSINESS AND
MANAGEMENT SCIENCES IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE AWARD OF THE
MASTER OF BUSINESS ADMINISTRATION
OF MAKERERE UNIVERSITY**

JULY, 2016

ABSTRACT

The purpose of the study was to carry out an analysis of Non-performing loans in Centenary Bank Limited. The study was guided by the following research Objectives: To establish the extent of Non-Performing Loans in Centenary Bank Limited, to analyze the causes of Non-Performing Loans in Centenary Bank Limited and to recommend the possible solutions to Non-Performing Loans in Centenary Bank Limited.

The study adopted a partly descriptive research design which allowed the description of the analyzing the non-performing loans in Centenary Bank Limited. The population of the study included 53 staff members currently working for Centenary Bank Limited at Mapera branch and Head office. During the study semi-structured questionnaires were administered to the respondents for data collection. Tables, graphs, charts and figures were used in data presentation.

The study concluded that majority of the respondents (78%) indicated that pressure was exerted on the loan officers by management, which partially contributed to NPL's. It is always due to high set targets by management to the loan officers thus they go on looking for clients who may not have enough requirements for the loan and eventually end up defaulting.

The study concluded that, after clients have obtained the loan for a purpose specified in the loan agreement, findings indicated that (73%) of respondents agreed and (27%) strongly agreed that clients divert the funds to other uses other than the intended purpose, this therefore fuel their inability to make prompt payments according to the stipulated schedule given.

The researcher recommended that management needs to ensure that borrowed funds are being used for the intended purpose through enhanced credit monitoring. This can be achieved by adopting a relationship management approach which helps management to have a closer look at the business as well as the characters of the senior managers running the organization.

Finally, it is thus recommended that all clients should be properly screened before on lending, the banks should establish an incentive that uses both financial and non-financial incentives to encourage timely repayments, it should also make the consequences of loan delinquency so unappealing to clients such as listing their names with the Credit References Bureau's (CRB's) to prevent further borrowing until settlement of all dues.