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**CONTROLLING LOAN QUALITY: THE MANAGEMENT OF
NON – PERFORMING LOAN PORTFOLIOS IN KENYA**

BY

EDWINS BARAZA

D53/OL/0030/02

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FULFILLMENT OF THE REQUIREMENTS OF THE AWARD OF
MASTERS IN BUSINESS ADMINISTRATION DEGREE(FINANCE)
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DECLARATION


I declare that this is my original work and has not been submitted for examination in any other university.

SIGN 
NAME: EDWINS BARAZA
REG.NO: D53/OL/0030/02
DATE 29TH AUGUST 2005.

This project proposal has been submitted for examination with my approval as the university supervisor.

SIGN 
NAME: MR. A. K. KHASIANI
DATE 31/08/05

The Chairman
Accounting and Finance Department

SIGN 
NAME: DR. E. W. KHAKAME
DATE 31-8-2005

DEDICATION

This work is dedicated to my beloved wife Mrs. Millicent Akinyi Otieno-Baraza and daughter Sharon Atieno Otieno-Baraza.

Special thanks go to my wife Millicent for her support and encouragement during the proposal phase of this study. Her love and care made it possible for me to complete this study successfully.

I feel much obliged to my wife Millicent for her continued support and encouragement during the study.

I would like to thank my friends and colleagues for their support and encouragement during the study. Their love and care made it possible for me to complete this study successfully.

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A lot of thanks go to my wife Millicent Akinyi Otieno-Baraza for her support and encouragement during the study. Your love and care made it possible for me to complete this study successfully. I also thank my daughter Sharon Atieno Otieno-Baraza for her support and encouragement during the study. Your love and care made it possible for me to complete this study successfully.

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CHAPTER THREE

TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF ABBREVIATIONS	vii
LIST OF TABLES	viii
LIST OF CHARTS	ix
DEFINITIONS OF TERMS	x
ABSTRACT	xv

CHAPTER ONE

INTRODUCTION	1
BACKGROUND TO THE PROBLEM	3
STATEMENT OF THE PROBLEM	3
OBJECTIVES OF THE STUDY	3
JUSTIFICATION FOR THE STUDY	3
SIGNIFICANCE OF THE STUDY	4

CHAPTER TWO

LITERATURE REVIEW

ASSET CLASSIFICATIONS	5
CAUSES OF NON-PERFORMING ASSETS	7
MANAGEMENT OF CREDIT AND RISKS	9
CONCEPTUAL FRAMEWORK	17

CHAPTER THREE

RESEARCH DESIGN	21
POPULATION	21
SAMPLE DESIGN	21
DATA COLLECTION PROCEDURES	22
TIME SCHEDULE	22
THE BUDGET	23
DATA COLLECTION INSTRUMENTS	24
SECONDARY DATA COLLECTION SCHEDULE	25

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

INTRODUCTION	26
RISK CLASSIFICATION OF LOANS	27
CONCENTRATION OF NON-PERFORMING ADVANCES	31
FINDINGS	34

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS	35
ASSUMPTIONS	37
LIMITATIONS	37
FUTURE RESEARCH RECOMMENDATIONS	38
THE QUESTIONNAIRE	39
APPENDICES	43
BIBLIOGRAPHY	49

LIST OF ABBREVIATIONS:

NPA _s	NON-PERFORMING ASSETS
V/S	VALUE OF SECURITIES
NPL _s	NON-PERFORMING LOANS
TL _s	TOTAL LOANS
IRAC	INCOME RECOGNITION, ASSET CLASSIFICATION
NL _s	NET LOANS
OD	OVERDRAFT
CC	CASH CREDIT
CBK	CENTRAL BANK OF KENYA
BBK	BARCLAYS BANK OF KENYA
COOP	COOPERATIVE BANK OF KENYA
NBK	NATIONAL BANK OF KENYA
STD	STANDARD CHARTERED BANK
KCB	KENYA COMMERCIAL BANK
BOB	BANK OF BARODA (K) LTD
C/FINANCE	CITY FINANCE
VICTORIA	VICTORIA COMMERCIAL BANK

LIST OF CHARTS

LIST OF TABLES

NON-PERFORMING LOANS AND PROVISIONS	30
NPA _s CONCENTRATION IN THE BANKING SECTOR	31
NPA _s IN ELEVEN BANKS IN KENYA OVER THREE YEARS	32
PERCENTAGE LEVEL IN NPA _s IN 11 BANKS IN 3 YEARS	33

LIST OF CHARTS

A MODEL OF MANAGEMENT OF NPAs	12
PIE CHARTS ON RISK CLASSIFICATION OF LOANS	27
BAR CHARTS ON CONCENTRATION OF NPAs IN KENYA	28

DEFINITIONS OF TERMS

1. Income Recognition, Asset Classification, Prudential Norms (IRAC) in Banking Practice.

In line with the international practices the CBK has introduced, banks are urged to ensure that while granting loans and advances, realistic repayment schedules may be fixed on the basis of cash flows/liquidity with borrowers. This would go along way to facilitate prompt repayment by the borrowers and thus improve the record of recovery in advances.

The prudential norms for income recognition, asset classification and provisioning for the advances portfolio of the banks are designed to move towards greater consistency and transparency in banks' published accounts.

The policy of income recognition should be objective and based on record of recovery rather than on any subjective considerations.

Likewise, the classification of assets of banks has to be done on the basis of objective criteria which would ensure a uniform and consistent application of the norms. Also, the provisioning should be made on the basis of the classification of assets based on the period for which the asset has remained non-performing and the availability of security and the realizable value thereof.

2. Non-performing assets

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank. A 'non-performing asset' (NPA) is defined as a credit facility in respect of which the interest and/or installment of principal has remained 'past due' for a specified period of time.

With a view to moving towards international best practices and to ensure greater transparency, the '90 days' overdue' norm for identification of NPAs has been adopted by various banks in Kenya on the insistence of CBK.

Accordingly, a non-performing asset (NPA) shall be a loan or an advance where;

- i) Interest and /or installment of principal remain overdue for a period of more than 90 days in respect of a term loan,
- ii) The account remains 'out of order' as indicated below, in respect of an Overdraft /Cash Credit (OD/CC).
- iii) the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
- iv) Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.

3. 'Out of Order' status

An account should be treated as '**out of order**' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit /drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as '**out of order.**'

4. 'Overdue'

Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the date fixed by the bank.

5. Income Recognition

i) Income recognition - Policy

The policy of income recognition has to be objective and based on the record of recovery. Internationally income from non-performing assets (NPA) is not recognized on accrual basis but is booked as income only when it is actually received. Therefore, the banks should not charge and take to income account interest on any NPA.

However, interest on advances against term deposits, and Life policies may be taken into income account on the due date, provided adequate margin is available in the accounts.

Fees and commissions earned by the banks as a result of re-negotiations or rescheduling of outstanding debts should be recognized on an accrual basis over the period of time covered by the re-negotiated or rescheduled extension of credit. If government guaranteed advances become NPA, the interest on such advances should not be taken to income account unless the interest has been realized.

ii) Reversal of Income

If any advance, including bills purchased and discounted, becomes NPA as at the close of any year, interest accrued and credited to income account in the corresponding previous year, should be reversed or provided for if the same is not realized. This will apply to Government guaranteed accounts also.

In respect of NPAs, fees, commission and similar income that have accrued should cease to accrue in the current period and should be reversed or provided for with respect to past periods, if uncollected.

6. Asset Classification (Categories of NPAs)

Banks are required to classify non-performing assets further into the following categories based on the period for which the asset has remained non-performing and the realisability of the dues.

i) Normal (Standard) ii) Watch iii) Sub-standard Assets iv) Doubtful Assets v) Loss Assets.

i) Normal (Standard)

An Asset is Normal when it is NPA Free and operates within the Due Date and within Order Status.

ii) Watch

An asset is classified as watch, if for 3 months it has remained NPA.

Iii) Sub-standard Assets

A sub-standard asset would be one, which has remained NPA for a period less than or equal to 12 months.

iv) Doubtful Assets

An asset would be classified as doubtful if it remained in the sub-standard category for 12 months.

v) Loss Assets

A loss asset is one where loss has been identified by the bank or internal or external auditors or the CBK inspection but the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

7. Triple-A rated companies

Triple-A rated companies are highly efficient, well managed organizations with large and quality output. They are highly rated in terms of performance in the market.

8. Stakeholders

These are the individuals, organizations or societies that have interest in the bank. They are the financiers of the bank and they include; depositors, shareholders, the government, employees, and creditors.

9. Fund-based advances

These are advances where funds are disbursed immediately after sanction. They include overdrafts, term loans, demand loans, cash credits.

10. Non-fund based advances

These are advances where funds need not necessarily be disbursed on sanction. These are off-balance sheet items or contingency liabilities. They include; letters of credit, guarantees and acceptances.

ABSTRACT

The traditional function of commercial banks is to accept deposits and extend credits. These two areas continue to be the mainstay of commercial banking even today. The banking function is an intermediary role between depositors (savers) and borrowers. The money used to extend credit to a large extent belongs to the depositors. Taking savers money and lending it to borrowers works quite well for all the parties until the loan becomes non-performing. A loan is said to be performing when it is being repaid according to the terms agreed upon. On the other hand, if the loan is not being serviced as required, it is said to be Non-performing. The loan may be in arrears and in addition inadequately secured.

Where there is Non-Repayment of borrowed funds at widespread or significant levels there will be a devastating effect not only on the borrowers but also on the depositor, the banking Institution and the country at large. In Kenya the lack of sufficient specialized knowledge and skills and inadequate credit appraisal necessary for correct and expeditious credit decisions contributes to eventual emergence of bad debts.

The financial statements, which the credit officer is supposed to analyze and base his decisions on , are prepared mostly on tax management considerations and not necessarily on the prudential principles of financial management. As a result, credit appraisal becomes an academic exercise, decision-making is uncertain, and the precious public money is at stake.

Arising out of lack of skillful management of NPAs, Banks have collapsed, the economic growth has deteriorated, and borrowing institutions have gone under, bank customers have suffered and in the process lost their meager savings. The collapse of Banks due to NPAs ,has often lead to the multiplier effect, leading to a run on other Banks, particularly those directly linked to the collapsed Institution, loss of jobs, loss of public trust and confidence as well as public apathy.

CHAPTER-ONE

INTRODUCTION

1.0 Problems in the area of identification and management of credit risk became conspicuous during the Kenya banking and economic crisis of 1996-2002. Over the period banks collapsed, merged or went into receivership. The banking system required a new set of guidelines, accounting and disclosure norms in order to cope with these changes. The Central Bank of Kenya plays the regulatory role by issuing policy guidelines, which must be adhered to or implemented by commercial banks.

During the 1996 – 2002 banking crisis it emerged that 38% of loan portfolio of Kenyan banks was non-performing, according to the Central Bank of Kenya monthly Economic Review of June 2002.

Currently up to 30% of total loans of Kshs:300 Billion advanced by Kenyan banks are non-performing. Towards this it may be argued that, the lending institutions, borrowers, the society and the government each have their share of the blame.

1.1 BACKGROUND TO THE PROBLEM

Every bank bears a degree of risk when it lends to businesses and consumers and all banks experiences some loan losses when certain borrowers fail to repay their loans as agreed, leading to non-performing assets. As a result there is need to strategically manage the NPAs.

Principally, the credit risk of a bank is the possibility of loss arising from the fact that interest or principal, or both, on securities and loans will not be paid as they fall due. The causes of the overwhelming concern on bank credit risk management are two-faced. One is the Newtonian reaction against bank losses, a realization after the losses have occurred that the losses are unbearable.

The other is the recent development in the field of financing. Commercial paper, securitization, and other non-bank competition has seen large, triple- A rated and stable companies shifting sources of finance from banks to open market initiatives like the bond market. The result was to find viable loan businesses among riskier classes of borrowers. Whatever the degree of risk assumed, losses can be minimized by organizing and managing the lending function in a highly professional manner and doing so before the lending action.

In a study of national banks that failed in the mid 1980's in USA, the then Controller of the Currency, Joseph F. Apadoford, found out that, the consistent element was the failure of the banks management systems for controlling loan quality and transaction risk. In Kenya and especially in the last decade, poor loan management has been pin pointed as the major factor in the burgeoning local bank failures during the past decade:(The Kenyan banker- Issue no. 13 2002).

In their book "Bank Management: Texts and Cases", George Hempel et al, stress that "to overcome their (banks') deficiencies in systems and procedures that spawn poor loans, banks must develop a credit culture supported by well-conceived management strategies for controlling credit risk". That for a bank to set a correct credit culture it "must establish its priorities with respect to the market place. Then the bank must design its credit risk management strategy".

Shepherd-Walwyn argues that "banks now appreciate that there is an "expected loss" or average likelihood of a loss to any particular class of borrowers", a loss that is seen as a cost of extending credit and is usually reflected in the credit spread.

1.2 STATEMENT OF THE PROBLEM

Banks lend money. They do not intend to give it away. Yet where a bank does not employ sophisticated credit analysis initiatives it will end up with untenable portion of bad debts putting its depositors' funds at insurmountable risk. Apart from depositors' losing their savings where banks have not out rightly collapsed, they have suffered losses. Others have gone under affecting whole sectors of the economy. Bank staff have lost jobs and unemployment has soared. In banking nonetheless bad loans are occupational hazard.

Hence, the need to examine in detail, the best ways of management of Non-performing Assets, with a view to help reducing the NPAs to the minimum possible level to improve the corporate efficiency and profitability of the Bank. And to provide an aid to the development of new theories, confirmation and/or validation of existing theories. This will go along way in circumventing the deficiencies in lending portfolio that may arise due to the occurrence of NPAs.

1.3 OBJECTIVES OF THE STUDY

The objectives are as follows:-

- 1)-To provide information on credit appraisal techniques with regard to the selection of assets.
- 2)-To provide adequate guidelines for the Banks, towards the management of non-performing loans.
- 3)-To provide an outline of major pitfalls on non-repayment of loans .

1.4 JUSTIFICATION FOR THE STUDY

Since 1984 to date, Bank failures in Kenya have been primarily due to non-performing Assets attributed to poor lending prudence, poor state of the economy and a society that is unwilling to repay. Hence the need to manage NPAs to deter bank failures.

1.5 SIGNIFICANCE OF THE STUDY

The potential importance of the study is in its ability to bring to light the dangers of operating financial institutions without clear guidelines and policies on the management of non-performing assets and to advise banks on better lending practices in order to curtail the occurrence of NPAs. It also brings to light the fact that poor loan management may be the major factor in local bank failures.

The result of this study will be of utmost help in the management of NPAs by Banks. It will be used by secondary researchers, government bureaus and agencies, students, Universities, Bank customers and staff or credit officers.

CHAPTER-TWO

LITERATURE REVIEW

2.0 ASSET CLASSIFICATION

According to M.S.Phogat(2004), classification of assets into NPA categories should be done taking into account the degree or well-defined credit weaknesses and the extent of dependence on collateral security for realization of dues.

The classification of an asset as NPA should be based on the record of recovery. A bank should not classify an advance as NPA merely due to temporary deficiencies, such as balance outstanding exceeding the limit temporarily, non-submission of stock statements and non-renewal of the limits on the due date, etc. In the matter of classification of accounts with such deficiencies banks may follow the following guidelines, according to M.S.Phogat:

- a) Ensure that drawings in the working capital accounts are covered by the adequacy of current assets, since current assets are first appropriated in times of distress. Stock statements relied upon by the banks for determining drawing power should not be older than three months. An OD account will become non-performing if such irregular drawings are permitted in the account for a continuous period of 90 days even though the unit may be working or the borrower's financial position is satisfactory.

- b) Regular adhoc credit limits need to be reviewed, regularized not later than three months from the due date /date of adhoc sanction. In case of constraints such as non-availability of financial statements and other details from the borrowers, the branch should furnish evidence to show that renewal/ review of credit limits is already on and would be completed soon. If arrears of interest and principal are paid by the borrower in the case of loan accounts classified as NPAs, the account should no longer be treated as non-performing and may be classified as 'standard' accounts.

Frank T. Paine and Carl R. Anderson (1983), explains that, the asset classification of OD accounts where a solitary or a few credits are recorded before the balance sheet date should be handled with care and without scope for subjectivity. Where the account indicates inherent weakness on the basis of the date available, the account should be deemed as an NPA. In other genuine cases, the banks must furnish satisfactory evidence to the Statutory Auditors/Inspecting Officers about the manner of regularization of the account to eliminate doubts on their performing status.

According to John A. Pearce II and Richard B. Robinson Jr.(1991),it is difficult to envisage a situation when only one facility to a borrower becomes a problem credit and not others.

Therefore, all the facilities granted by a bank to a borrower will have to be treated as NPA and not the particular facility or part therefore which has become irregular. Asset classification of accounts under consortium should be based on the record of recovery of the individual member banks.

According to J.David Hunger and Thomas L. Wheelan(1999), in accounts where there is erosion in the value of security:

i) An NPA need not go through the various stages of classification in case of serious credit impairment and such assets should be straight away classified as doubtful or written off as appropriate. Erosion in the value of security can be reckoned as significant when the realizable value of the security is less than 50 per cent of the value assessed by the bank or accepted by CBK at the time of last inspection, as the case may be. Such NPAs may be straight away classified under doubtful category and provisioning should be made as applicable to doubtful assets.

ii) If the realizable value of the security, as assessed by the bank/ approved valuers/ CBK is less than 10 per cent of the outstanding in the OD accounts, the existence of security should be ignored and the assets should be straight away classified as loss asset. It may be either written off or fully provided for by the bank.

2.1 CAUSES OF NON-PERFORMING ASSETS

According to D.D.Mukherjee(2000),factors like economy and industry play a role in converting the account to NPAs and these factors are beyond the control of the borrower. According to Mukherjee, economy and government level factors are some of the most important factors affecting the business/industry adversely.

Recession, import-export restriction, political pressures, exchange fluctuation, budget provisions and pollution control norms are some of the factors requiring constant watch and analysis for the long lasting impact on the business and industry. The Bank should create an economic analysis and forecasting department and guide the branches through Regional Offices in advance, keeping in view the exposure of the bank in different areas and branches, to be on guard along with suggestive measures to overcome the problem. Economic analysis and forecasting department should be responsible for reporting the movement of economy, GDP, industrial growth, negative provisions of the government, import- export provisions detrimental to the borrower. The borrower should also be advised well in advance about the future problem, so as to enable him to be ready with his own strategies in consultation with the Bank.

According to Mukherjee, the following are the factors which lend credence to poor lending prudence if not checked:-

- 1) The bank is always aware of all the credit risks before lending and should strive to make accurate decisions. Such risks include: -
 - a) External risk elements as;
 - i) Competition
 - ii) Product subscription
 - iii) Entry barriers
 - iv) Seasonality of business
 - v) Profile of the end users i.e. whether high income, middle income or low-income group etc.
 - vi)Cyclicity of earnings etc

b) Internal risk elements as;

- i) Financial risk
- ii) Business risk
- iii) Management risk
- iv) Project risk

2) The banks failure to establish an appropriate credit risk environment, such that, the board of directors lack responsibility for approving and periodically (at least annually) reviewing the credit risk strategy and significant credit risk policies of the bank.

3) Most banks do not operate within sound, well- defined credit granting criteria.

4) Most banks do not maintain an appropriate credit administration, measurement and monitoring process.

5) Lack of adequate controls in credit risk

6) The bank credit officers / supervisors lack independence in conducting the evaluation of bank strategies, policies, procedures and practices related to the granting of the credit and on going management of the portfolio.

Credit risk is perhaps the oldest form of risk experienced in financial markets according to Mukherjee. It is as old as lending itself. All over the world banks have collapsed due to over extension of credit. This has also happened in Kenya (appendix-1).

Banks have been lending based on relationship banking. This meant credit decisions have relied more on the length of the business relationship with the customers and the volume of business than the asset quality of the customer's loan portfolio.

This is not to suggest that relationship banking is not a desirable banking strategy-lending bank cannot afford to overlook or underestimate the credit risk of a loan proposal just because of a relationship banking strategy. Lending banks have to insist on adequate collateralization before providing credit facilities. These lending strategies have not been able to arrest deterioration of the quality of banking assets in extremely large number of cases. For example, a number of public sector units to who banks in Kenya have been lending against government guarantees or after obtaining collateral security of mortgage of immovable properties, have defaulted or collapsed, leading to non-recovery of the advance.

2.2 MANAGEMENT OF CREDIT AND RISKS

The extent of non-performing assets of banks has assumed a formidable proportion during the last decade, eating into hard earned profitability of the banks. According to Maktar Diop ,the World Bank Country Representative , Kenya currently has 30 percent of its advances in NPA. And yet this figure averaged 38 percent during the last decade according to the Kenyan Banker (Kenya Institute of Bankers Issue no.2 2000).

These events only bolster a growing belief that there was an urgent need to identify, quantify and manage the credit and other trade related risks in bank lending propositions.

The challenge of credit risk has grown phenomenally during the 1990's against the backdrop of tremendous economic, political and technological changes in Kenya and around the world.

According to Igor Ansoff (1965), the management of NPAs means planning, organizing and controlling the resources to achieve the goals i.e. reduce the NPAs to the minimum possible level to improve the corporate efficiency and profitability of a bank. Peter and Waterman (1982) state that management of NPAs is a “function of seven interrelated dimensions – strategy, structure, systems, skills, staff, style, and shared values.” Thompson (2000 P9), defined strategy in relation to NPA management, as a means to ends, and these ends concern the purpose and objectives of the organization.

These ends are the things the businesses do, the paths they follow, and the decisions they take, in order to reach certain points and levels of success.”. It is the bridge between the present and the desired future. It necessarily involves allocating of resources. It aims at capitalizing strengths of the organization keeping in perspective the environmental constraints and competitive conditions.” They further explain strategic management process as “a series of decisions and actions which help an organization to effectively formulate objectives, strategies, evaluate them and implement them as per the planning.

This process involves total organization in the strategic management process for feed back and control of strategy implementation.”

A strategy reflects a company’s awareness of how, when, and where it should compete; against whom it should compete and for what purposes it should compete. So, it can be concluded that strategic management is a dynamic process of the management under which, responses are made according to the time, place, situation and system best suited to the leader/manager to achieve the target.

According to M.S.Phogat, the Bank should always be sympathetic to the borrower and gain his faith, so that the borrower could reveal the truth. The borrower should see the banker as his helping friend. Some times cyclic business pressures create problems and the borrowers need genuine help from the bank. The bank must help the borrower and if, it feels that rescheduling of loan is required, it should be done in time. Banker must ensure that documents are valid and renewed in time. If soft treatment and help does not work, then some bitter treatment be given and the borrower be persuaded to bring funds, either upgrade the accounts or liquidate it.

Negotiate with the party to repay a certain percentage of sales and if bound to fail, it is better to quit and compromise. It may be due to external factors beyond control of the borrower and the bank.

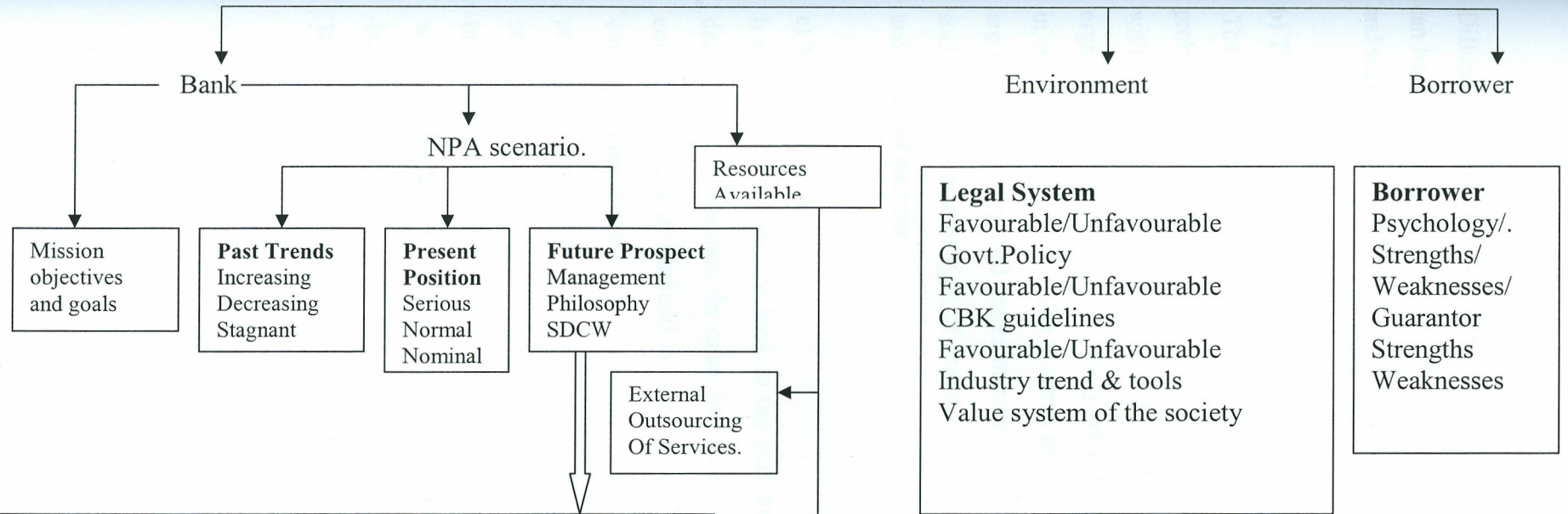
If soft measures will fail then the banks should try to enforce strict measures with full force. Convert hypothecation into pledge, start criminal proceedings wherever necessary, use all the legal means like attachment before judgment, enforcement of securities act, out source services of recovery agent, obtain preliminary decree and proceed for confinement of the borrower as well as guarantor. At this stage the borrower must feel pressurized and keep tension in his mind 24 hours and pressure should be constant from the all corners till the account is settled.

The explanation on the chart below, according to M.S.Phogat (2004) is as follows:

a) Model for Management of NPAs(chart-1)

Model for management of NPAs must cover all the elements involved in recovery of NPAs. It must keep into account the various aspects from the bank angle and its strengths & weakness, its staff, systems, procedures & work culture of the bank in particular. It should also take care of the environment and lastly the borrower & guarantor, their strength weaknesses, culture, habits, values & goals.

A model of Strategic Management of NPA according to M.S.Phogat (2004)



S-Stout, Brave & determined- motivation, moral, committed and provide help and approve action.
Skirmishes – one to one fight – allotment of borrower to each staff
Strafe- Attack repeatedly with Bullets and Bombs from Aircraft- Help from Top
D- Deter-Preventive action against slippage- sanction/appraisal/follow-up and monitoring
Detonate- to explode- strict penalty for credit indiscipline
Devastate-Recovery
C-Compassion- Party’s genuine problems
Care-Helping attitude.
Compare-opportunity cost, time cost, collection cost.
Compromise-Something is better than nothing.
W-Wait- improvement to financial position of the party.
Watch-In touch with the borrower-frequent personal contact.
Withdraw-Where no scope of recovery

Internal

People – strengths /weaknesses of skill, Knowledge and Attitude. Orientation towards the problem.
Work culture and practices – sincere, negligent, faithful, lack of attachment.
Availability of the time and resources,
Motivation and moral of the people- high /Low
Incentive of staff for recovery- effective/ missing.
Information system- Techno base, Manual.

*S:Stout,Skirmishes,Strafe
 D:Deter,Detonate,Devastate
 C:Compassion,Care,Compare,Compromise

Different segment of borrowers will have to be tackled differently. Corporate defaulters can be dealt with differently from rural defaulters, area wise, activity wise, sector wise, and segment wise different policy of strategic management is required.

b) The Bank

The main wheel of the problem revolves around the bank and it is the axis of the problem. It depends upon; the mission objectives and goals of the bank as to how to deal with the concern. Thompson (2001 p9) "mission is the essential purpose of the organization concerning particularly why it is in existence, the nature of the business it is in, and the customers it seeks to serve and satisfy." In the same book objectives or goals are defined as "Desired states or results linked to particular time scale and concerning such things as size or type of organization, the nature and variety of the areas of interest and levels of success.

c) NPAs Scenario

It will be the first step to look to the past trends in NPAs, whether they are increasing, decreasing or stagnant. In case increasing what is the rate of increase and whether constant increase or fluctuation in increase. What can be the factors resulting in increase whether internal reasons or external, controllable or uncontrollable, based on systems, procedures and or policy matters. What are the sources of NPAs, whether area specific, sector specific, limit of loan specific, activity specific, borrower group specific and or branch specific. What is the way out to reverse the trend? In case the trend is decreasing, what are the factors contributing to the success and reduction of NPAs. Whether it can be accelerated. What are the tactics used to overcome the position, whether the same tactics can it be used at other places. In case of stagnant trend, where are the bottlenecks.

Four Cs i.e. Compassion, Care, Compare and Compromise: genuine problems of the party must be considered sympathetically; and bank being a partner in the business of the borrower must always try to help the borrower in case of genuine need. When the position deteriorates and goes beyond the control of the bank, opportunity cost, time cost and collection cost in case of suit filing may be considered and compared to go for the compromise. Four Ws Wait, Watch, Withdraw and Write off: In case the position of the party does not permit any recovery at present but is expected that the position of the party may permit some recovery in the near future, wait and watch keeping constant touch with the borrower. In the last, if it is sure that there is no scope of recovery, it is better to write off and remove from the books to avoid capital adequacy requirement.

f) Resources Available

External resources may be outsourcing of services and internal resources are the resources in the bank itself like people, their strengths/ weakness of skill, knowledge and attitude and orientation toward the problem. Whether they can be trained and become competent. What are the practices and work culture in the organization? Whether the staff is sincere or negligent, faithful or lack attachment, availability of time and resources with the staff, motivation and morale position of the people in the organization, what is the incentive to staff for putting extra labor and information system available to the staff for response and decisions from the management.

g) Environment

This is the outside factor like legal system, government policy, CBK guidelines, value system of the society and industry trends and tools, whether favorable or unfavorable. What steps are required to make it favorable? Can it be done at bank level, if yes, up to what extent.

h) Borrower

What is the borrower psychology in different areas, groups and activities and the strengths and weakness of the borrowers and guarantors? What are the pressure tools and tactics for effective use on the borrowers and guarantors?

According to the CBK – Bank Acquisition Annual Report (Eight Edition), Loans and advances continue to form the largest proportion of the balance sheet of the banking sector. In terms of quality, loans and advances are categorized in to five categories depending on the time past due. These are:- normal risk; watch; substandard, doubtful and loss categories.

2.4 CONCEPTUAL FRAMEWORK

The management of non-performing assets is the objective determination of controlling loan quality and instituting appropriate control measures, which require sound monitoring and follow-up mechanisms in place, which starts right from sanction and before disbursement of the facility.

The stakeholders of the bank have enormous interests in the operations and management of funds lent out. As the financiers of the bank they expect good returns of their money and would not wish that whatever money borrowed is not repaid.

Borrowed money can either be fund-based or non-fund based. The borrower and the bank are faced with internal and external factors which unless checked can create NPAs into the books of the bank and deny the bank the opportunity for further lending.

The internal factors are controllable and include; controls in place, mission statement of the bank, objectives and goals, decision making process, systems and procedures, managerial factors, pre-reviews and reviews, responsibility, measurements, monitoring and follow-ups. They emanate from within the bank.

The external factors are uncontrollable and originate from outside the bank. They include; the economy, industry, the government, political factors, exchange fluctuations, competition, legal system, technology and risks.

If the bank fails in its role to take charge of the internal factors and the external factors remain unfavorable, the loan facility will most likely become NPA and vice-versa, if the bank remains in charge of its internal policies and regulations concerning advances and the external factors are favorable.

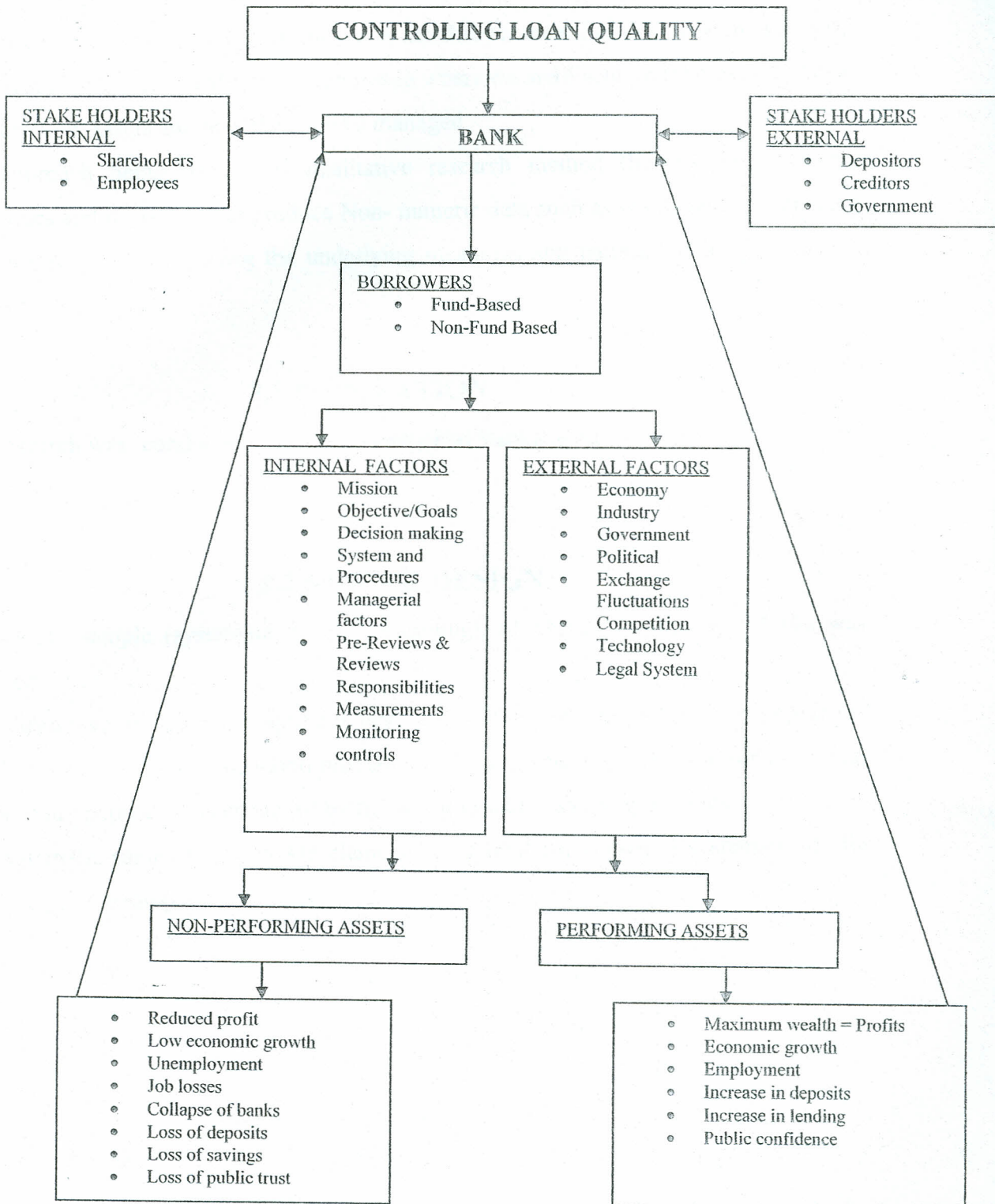
Failure to control loan quality, will create NPAs into the books of the bank, with resultant multiplier effects. Hence possibilities of job losses, loss of savings, collapse of banks affecting whole sector of the economy, loss of public confidence and apathy.

However, if the loan quality is controlled and adequately managed, the loans will remain performing, hence maximum wealth to the shareholders, increased employment opportunities, public confidence, economic growth, increased savings and lending.

Chart-2, summarizes the impacts and effects of controlling loan quality through the management of non-performing assets.



CHART 2: CONCEPTUAL FRAMEWORK ON LOAN QUALITY CONTROL.



CHAPTER -THREE

3.0 RESEARCH DESIGN

The type of the research design employed in the study is causal as the research deals with investigation of a cause and effect relationship where we are discussing the causes of Non – Performing Assets and how they can be managed.

The approach being used is a qualitative research method that includes designs, techniques and measures that produce Non- numeric data such as words or statements for the purpose of understanding the underlying meanings and patterns of the phenomena under investigation.

3.1 POPULATION

The research was conducted from the Commercial Banks in Kenya from 2001, being the population.

3.2 SAMPLE DESIGN

A random sample (systematic random sampling), of Eleven Commercial Banks was selected.

The advantage of random sampling is that, each of the elements in the target population is given a calculable and non-zero probability of being selected. The representative ness of the study population is enhanced by the use of random sampling methods.

In systematic sampling, every kth element in the total list is chosen systematically for inclusion in the sample.

3.3 DATA COLLECTION PROCEDURES.

The following data collection techniques was used in the study:-

1. Personal or face to face interviews. The researcher will personally interview senior managers of the various banks to be studied.
2. Telephone interviews. Telephone calls will be made to senior managers to verify the outcome of the research findings.
3. Secondary data analysis – Information will be gathered from journals, periodicals, magazines, libraries, company balance sheets etc.
4. Observations- Through observations and personal experience as a banker of 15 years.

3.4 TIME SCHEDULE

Six months was taken to write this research project from January 2005 to June2005, from research proposal and discussions, field research, data collection and report compilation.

3.4 THE BUDGET.

The money spent to cover allowable expenses in conducting the research include:-

• Typing	-	15,000/-
• Computer Usage	-	5,000/-
• Travel	-	10,000/-
• Equipment	-	6,000/-
• Personnel	-	8,000/-
• Photocopying	-	2,000/-
• Binding the report	-	<u>2,000/-</u>
• <u>TOTAL</u>		<u>48,000/=</u>

3.5 DATA COLLECTION INSTRUMENTS:

This is a comprehensive document containing all the measures that was used in data collection.

1) Interview schedules:

Institution: Branch Contact Person

BBK Avon Snr. Manager

STD Moi -do-

NBK T/Mboya -do-

KCB Moi -do-

BOB Ind -do-

COOP H/S -do-

GURDIAN-Koinange -do-

HABIB-LTD-Koinange -do-

CITY FINANCE-Kenyatta-do-

2) Note book and a pen were used.

3.7 SECONDARY DATA COLLECTION SCHEDULE.

<u>SOURCE</u>	<u>PLACE</u>	<u>TIME</u>	<u>DATE</u>
Library -	KIB	6.00pm	7/2/05-21/2/05
Library-	University of Nairobi-	6.00pm	23/2/05-15/3/05
Library-	Kenyatta University	6.00pm	21/3/05-31/3/05
Internet Service -	Dima College	6.00pm	1/4/05-29/4/05
(Browsing)			

CHAPTER FOUR

DATA ANALYSIS.

4.0 INTRODUCTION

The research was conducted amongst eleven banks, selected using systematic random sampling, covering the year 2002, 2003 and 2004.

From the research conducted, NBK had the highest NPA levels in three years running, followed by KCB, CO OP, BBK, STD and Guardian in that order.

The rest, BOB, HABIB, FIDELITY, C/FINANCE and VICTORIA, bear small portions of the total NPA portfolios at below one percent over three years.

NBK, KCB, CO OP, BBK and STD have a total of over 90 percent of the total NPA portfolios over the three years between them. They are amongst the largest banks in the country.

While NBK, CO OP, STD, and BBK have had their NPA levels somewhat increasing albeit by small margins, KCB, BOB, Habib, Fidelity, Guardian, C/finance, Victoria have their NPA levels reducing by similar margins.

The Increase in NPA levels of the bank is attributed to factors enumerated in the conceptual framework and elsewhere in this research project and vice-versa for the decrease in the NPA levels.

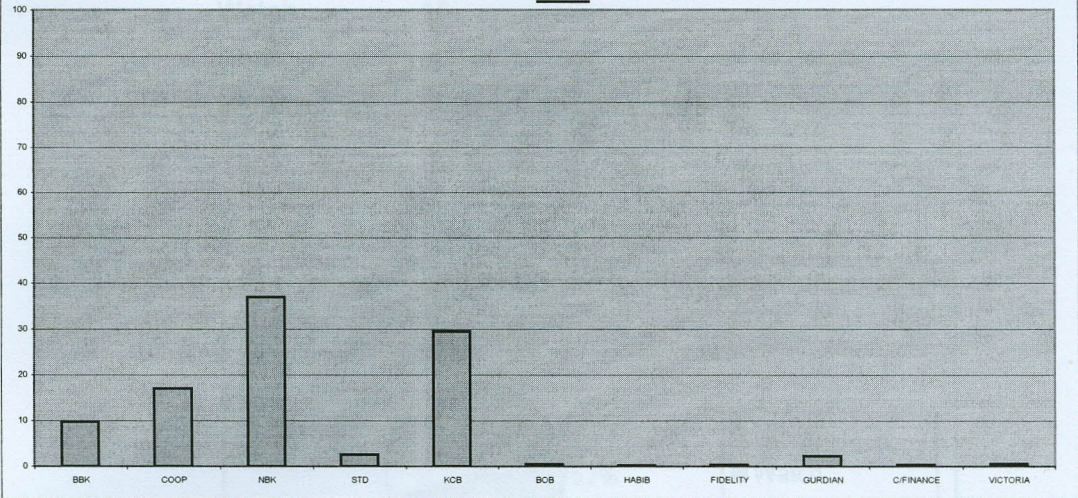
The analysis of the data, regarding the variations in the NPA levels is enumerated in the bar-charts and pie-charts below.

The bar charts provide information on the concentration of NPAs in Kenya from 2002, 2003 and 2004; while the pie-charts provide information on the risk classification of loans from normal, watch to non-performing loans with NPAs remaining at 30 percent in the year 2001 and at 28 percent in the year 2000.

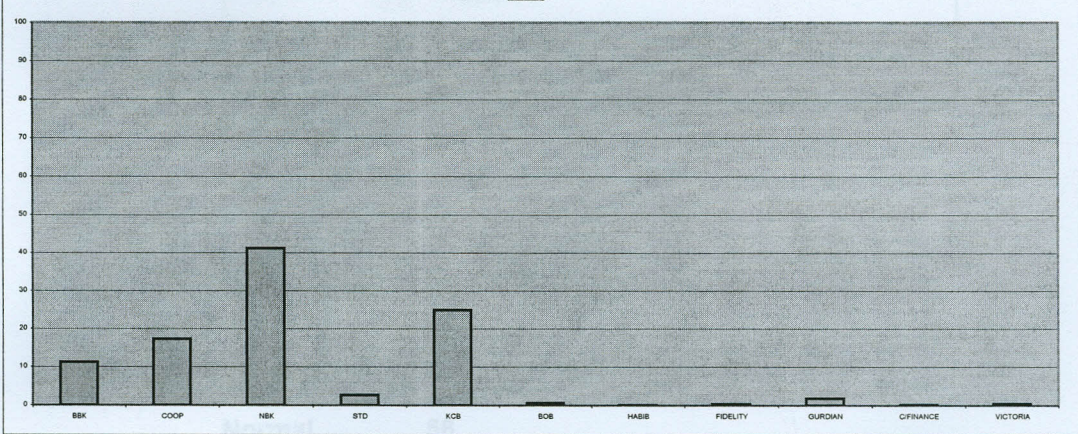
The risk classification of loans as shown in the pie chart for the year 2001 remains the same for the year 2002, 2003 and 2004.

THE PERCENTAGE LEVEL OF NPAs FOR THREE YEARS, FROM THE PUBLISHED ACCOUNTS OF TEN BANKS IS PROVIDED BELOW

2002



2003



2004

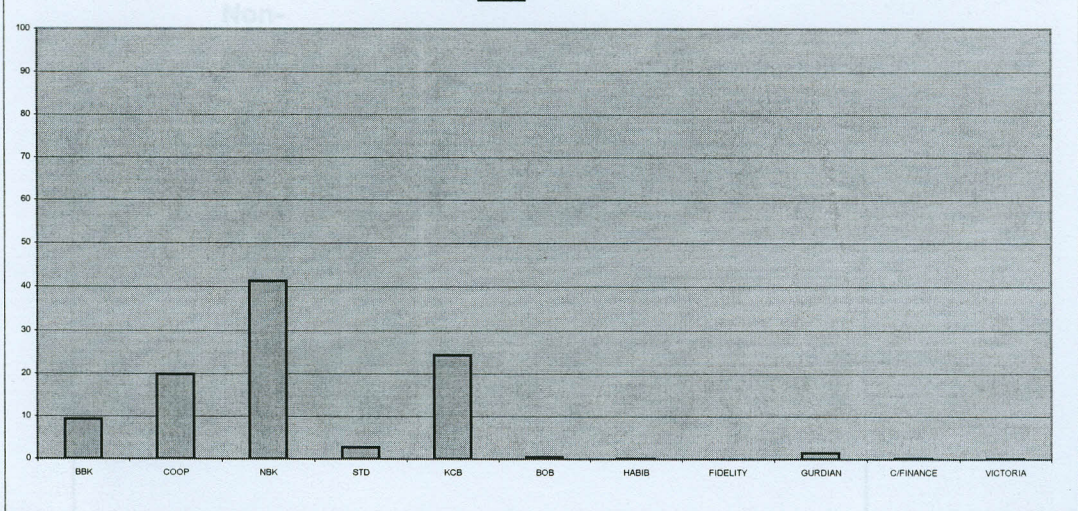
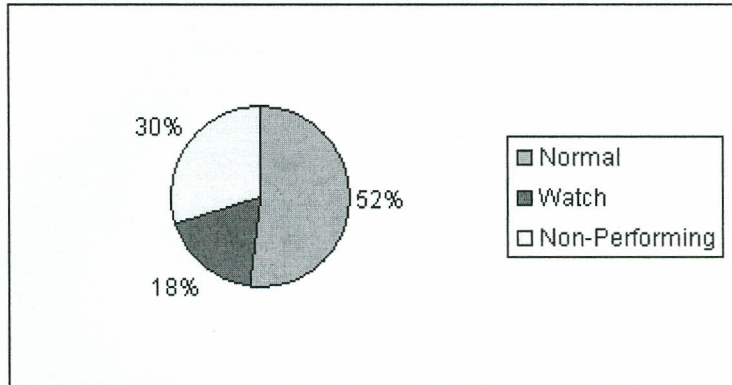


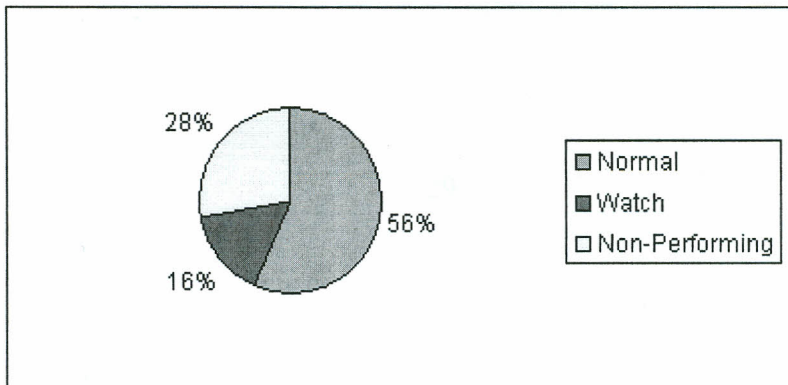
CHART 2: RISK CLASSIFICATION OF LOANS

Normal	52
Watch	18
Non-Performing	30



**YEAR-
2001**

Normal	56
Watch	16
Non-Performing	28



**YEAR-
2000**

4.1 RISK CLASSIFICATION OF LOANS

After an advance is classified as substandard, interest is suspended i.e it is not taken into income. In the past the reporting for both the outstanding loans and NPLs was on gross terms ie it was inclusive of interest in suspense . The reporting has been revised in line with accounting standards and practices in other jurisdictions to be on net basis excluding interest in suspense. The quality of loans is shown in Table 1 and 2.

**Table-1:Non-
Performing
Loans and
Provisions(kshs
:m)**

No	Item	Audited Dec.2001	Audited Dec. 2000	Growth %
1.	Total Loans	244,976	272,890	-10%
2.	Specific Provisions	27,754	43,872	-37%
3.	General Provisions	2,539	2,719	- 7%
4.	Total Provisions (2+3)	30,293	46,591	-35%
5.	Net Loans	214,683	226,299	-5%
6.	Total NPAs	73,617	90,240	-18%
7.	Net NPAs (6-2)	45,863	46,368	-1%
8.	V/S (estimated)	36,187	37,599	-4%
9.	Net Exposure(7-8)	9,676	8,769	-10%
10.	Total NPLs /TLs(6/7)	30,1%	33.1%	
11.	Net NPLs /NLs (7/5)	21.4%	20.5%	
12.	Total Provisions/TLs (4/1)	12.4%	17.1%	
13.	Net Exposure/TLs (9/1)	3.9%	3.2%	

Source:CBK.

The exposure of the banking sector to NPLs that are neither provided for nor secured stood at Ksh 9.7 billion. Provisions for this portfolio are likely to eat into the level of profits and revenue reserves for the sector in future if recovery of the same is not made. However, capital and reserves for the sector that stood at Ksh. 17.8 billion as at December 31,2001are adequate to cushion this exposure. However, this exposure poses a recovery challenge to the management team of institutions concerned.

4.2 CONCENTRATION OF NON-PERFORMING ADVANCES:

Non-performing loans were mainly concentrated in ten institutions mostly in the public sector, whose ratio of non-performing loans to total loans was 51% compared with only 14% for the rest of the sector (Table-3). The problem of non-performing loans is not as acute as it appears on the global basis for most of the banking institutions. The NPLs in the ten institutions are historical in nature and arose due to poor lending practices and external influence on the board and management of the institutions affected.

There is no easy solution to the problem but the idea of an asset management company has been floated. The incidence of non-performing loans in specific institutions is shown in Appendix-2.

Table 2: Non-performing Loans Concentration in the Banking Sector

Institutions	December 2000			December		
	Total-NPLs	Total-Loans	Concentration	Total-NPLs	Total-Loans	Concentration
Top 10 Insts.	53,211	103,901	51%	46,781	101,834	46%
Rest of Insts.	20,406	141,075	14%	43,459	171,056	25%
Total Sector	73,617	244,976	30%	90,240	272,890	33%

THE PERCENT

Table-3:THE LEVEL OF NON-PERFORMING ASSETS FOR THREE YEARS, FROM THE PUBLISHED AUDITED ACCOUNTS OF ELEVEN BANKS RESEARCHED IS PROVIDED BELOW:

BANK	YEAR		
	2004	2003	2002
BBK	7,914,613	8,916,768	8,036,400
COOP	16,136,661	13,734,540	14,258,116
NBK	33,621,205	32,792,680	30,253,140
STD	2,191,917	2,091,680	2,061,380
KCB	19,772,301	19,804,248	24,130,200
BOB	389,190	453,310	405,674
HABIB BANK LTD	60,708	70,720	155,200
FIDELITY	247,047	252,230	311,400
GUARDIAN	1,203,502	1,415,540	1,860,340
CITY FINANCE	121,300	129,670	269,200
VICTORIA COMMERCIAL	89,559	338,440	450,022

SOURCE:CBK

Table-4: THE PERCENTAGE LEVEL OF NPAs FOR THREE YEARS, FROM THE PUBLISHED ACCOUNTS OF ELEVEN BANKS IS PROVIDED BELOW (COMPUTED FROM THE ABOVE FIGURES):

	2004	2003	2002
BBK	9.72	11.2	9.82
COOP	19.83	17.26	17.00
NBK	41.32	41.22	36.99
STD	2.69	2.62	2.52
KCB	24.30	24.89	29.50
BOB	0.47	0.56	0.49
HABIB	0.07	0.08	0.18
FIDELITY	0.03	0.31	0.38
GURDIAN	1.47	1.77	2.27
C/ FINANCE	0.14	0.16	0.32
VICTORIA	0.11	0.42	0.55

4.2 FINDINGS:

All the banks researched agree that, poor state of the economy has contributed most to non-performing loans in Kenya, and that, NPAs are a major threat to the survival of commercial banks.

Non-performing assets can be managed and poor lending practice leads to incidence of non-performing assets.

The bank with the highest NPA levels in Kenya today is NBK at about 35 percent followed by KCB at about 20percent.

All the banks interviewed have improved their lending policy to reduce the level of non-performing assets, while none has adopted the S-D-C-W concept. Yet they all agree that, the S-D-C-W concept remains the best method to reduce the level of NPAs if implemented to the letter.

Non-performing assets have affected the performance levels of all the banks interviewed very adversely leading to job losses, closure of branches and scaling down of operations.

All the banks investigated, placed the responsibility for the high incidences of non-performing assets in their books in the hands of the customers, management ineptitude, the society and attitude as well as government policy.

Why the banks treat non-performing assets as such a big concern is because it may lead to bank failure.

High incidences of NPAs are a source of low liquidity in a large number of commercial banks. A fact all the banks strongly agree with.

CHAPTER FIVE

5.0 CONCLUSION OF THE STUDY

A reduction in NPA levels require sound monitoring and follow up mechanism in place, which starts rightly from sanction and before disbursement of the facility.

A major reason, for the occurrence of NPAs in most Banks in Kenya is because the follow up and monitoring system in those institutions are very weak.

Whatever precaution may be taken at the time of appraisal, and due to market and managerial dynamics, things may not always move in the desired direction.

If the credit officer is intelligent enough to observe the movements and operations in the accounts and take appropriate corrective measures at the appropriate time , things may be under control, otherwise delay and lethargy may make things worst.

It was revealed during personal interview of various credit officers from NBK,KCB,VICTORIA and C/FINANCE, that inspection in not done in true spirit. Reports are prepared and kept in the file only for formalities sake. At the time of inspection at least following things are required to be verified very carefully:

- i) Whether sales are as per projection and the payment of sale proceed are received in time.
- ii) Whether entire sale proceeds are routed to the accounts.
- iii) There is no diversion of funds to other associates/friends and relatives and or to long term uses, where finance is granted for short term.
- iv) Stocks are intact and saleable.
- v) Capital and unsecured loans are not withdrawn.

Additional details required with the stock statement should also be verified very carefully. Always try to discuss with the borrowers their present and future problems, plans and strategies for the promotion of business.

Always suggest them according to the knowledge and information available to the bank from economic forecasting cell or industry research cell and try to know their views on the course of action.

In case the account has become NPA, despite all preventive measures, the bank should be alert and immediately find out the symptoms and reasons for NPA and start the treatment. Personal contact was reported to be the best way for NPAs recovery. Listen to the problem carefully, find solution and help the party incase the problem can be solved and whether the problem is temporary in nature.

5.1 ASSUMPTIONS

It is assumed that;

- 1) Banks can adopt the policy of “prevent rather than cure”. Which they hardly followed hence the high incidences of NPAs.
- 2) Banks have vast resources, which they should use to focus on the viability of projects but which they hardly use.
- 3) Banks are known to always come up with ideas, which can be put into use to prevent possible occurrence of bad loans.

5.2 LIMITATIONS OF THE STUDY

The limitations of the study were in the assumptions made:

- a) That banks can adopt the policy of prevent rather than cure. This policy even if adopted may not work effectively in the banking context, since banks have to lend out money anyway, to remain in business regardless of the prevailing economic circumstances. In such circumstances therefore the bank may simply lend out money and cure later.
- b) Bank resources can not be described as vast since they are subjected to limitations, in terms of availability of trained man power, financial resources, economy, government legislations, technology and logistics.
- c) True, banks can come up with ideas, but not all ideas may be relevant from time to time or useful in curtailing the occurrence of bad debts.

5.3 FUTURE RESEARCH RECOMMENDATIONS

There are a number of avenues for future research on controlling loan quality: the management of non-performing loan assets in Kenya as the area covers a very wide scope of credit and because of the dynamics of the business world.

The banking industry is faced with enormous challenges and dynamics which require constant watch and practice. The market is large and growing; competitive challenges are wide; culture and attitude are changing and yet the traditional function of commercial banks remains the mainstay even today.

Furthermore, future research could examine how societal, cultural factors and attitude have a bearing on the possible occurrence of bad debts. How they influence management decisions on loan policy and how failure to factor in societal, cultural and attitudinal factors in the credit decision making process can in future result in non-performing assets in the books of the bank.

Finally, it would be interesting to study the role of branch managers with regard to remedial actions taken on deteriorating credits, managing problem credits and similar workout situations. Their roles in process establishment for approving new credits as well as the amendment, renewal and re-financing of existing credits and how these roles if not clearly established could result in advances becoming non-performing.

5.4 QUESTIONNAIRE

1) What in your opinion has caused bank failures in Kenya?

- a) Poor governance
- b) Poor state of the economy
- c) Society attitude
- d) Poor management
- e) Others. Explain

2) What according to you has contributed most to NPAs in Kenya? Explain.

3) Is NPAs a major threat to the survival of the commercial Banks?

Yes

No

4) Can NPAs be managed?

Yes

No

5) What do you think leads to incidence of NPAs?

- A. Poor lending practice.
- B. Mismanagement.
- C. Non-realizable Assets.
- D. The customer's unwillingness to repay.
- E. Others. Explain.

6) What is the level of NPAs in your Bank?

- A. 50 Percent.
- B. Below 1 percent.
- C. Between 20 and 30 percent.
- D. Between 1 and 10 percent.

7) What is your bank doing to reduce the level of NPAs?

- A. Has adopted the S-D-C-W concept.
- B. Improved lending policy.
- C. Involved in quality lending
- D. Good management.
- E. Others. Explain.

8) How has NPAs affected the performance levels of your Bank?

- A. Very adversely
- B. Adversely
- C. Fairly adverse
- D. Marginally

9) What has contributed to high levels of NPAs in your Bank?

- A. Mismanagement
- B. Customers unwillingness to repay
- C. Non- realizable Assets
- D. Poor lending prudence
- E. All the above
- F. None of the above. Explain.

10) Would you rate the level of NPAs in your Bank as manageable?

Yes

No

11) How do you rate the level of NPAs in your bank compared to other banks of your standard in the market?

A. Very High

B. High

C. Medium

D. Low

E. Very low

12) How do you rate the level of NPAs in your bank as relates to the entire industry?

A. Very high

B. High

C. Medium

D. Low

E. Very low

13) Who would you say is responsible for the high incidence of NPAs if any, in your Bank?

- A. The customer
- B. The management
- C. The society
- D. The government
- E. All the above
- F. None of the above. Explain.

14) Why would NPA be such a big concern to your Bank?

- A. It may lead to Bank failure
- B. It may lead to redundancies
- C. Because of CBK inspectors
- D. It gives the bank a bad name
- E. Any Other. Explain.

15) Do you agree that high incidences of NPAs are a source of low liquidity in a large number of commercial banks?

- A. Strongly Agree.
- B. Agree.
- C. Not sure.
- D. Do not agree.
- E. Strongly disagree.

5.5 APPENDIX-1

FAILED BANKS IN KENYA SINCE 1986.

	NAME OF INSTITUTION	DATE CLOSED/REST STRUCTURED	REASON(S) FOR FAILURE
1	CONTINENTAL BANK OF KENYA LTD (OFFICIAL RECEIVERSHIP)	AUG. 1986	NON-PERFORMING LOANS-INSIDER LOANS (UNSECURED)
2.	UNION BANK OF KENYA LTD (UNDER CONSOLIDATED BANK)	DEC. 1989	MISMANAGEMENT POOR-CREDIT POLICIES
3.	EXCHANGE BANK LTD (VOLUNTARY LIQUIDATION)	APRIL 1993	VIOLATION-OF BANKING-ACT LICENCE REVOKED
4.	TRADE FINANCE CO. LTD (LIQUIDATION BY DFP)	AUG. 1993	MALPRACTICES-IN FOREX-NON- PERFORMING LOANS
5.	PAN-AFRICA BANK LTD (LIQUIDATION BY DPF)	OCT. 1993	VIOLATION-OF BANKING-ACT LICENCE- REVOKED
6.	UNITED BANK LTD (RESTRUCTURED : NOW CHASE BANK	AUG. 1994	SUCCESSFULLY RESTRUCTURED
7.	KENYA FINANCE BANK LTD (LIQUIDATION BY DPF)	JUL. 1996	NON-PERFORMING LOANS MISMANAGEMENT
8.	HERITAGE BANK LTD (LIQUIDATION BY DFP)	SEP.1996	NON-PERFOR-LOANS- MALPRACTICE BY DIRECTORS

9.	RELIANCE BANK LTD (STATUTORY MANAGEMENT)	SEP. 1998	RUN-ON-DEPOSITS CHEQUE- KITING
10	BULLION BANK LTD (STATUTORY MANAGEMENT)	SEP. 1998	RUN-ON-CERT.OF DEPOSITS-NON- PERFORMING LOANS
11	TRUST BANK LTD (STATUTORY MANAGEMENT)	SEP. 1998	RUN-ON-DEPOSITS MISMANAGEMENT
12	PRUDENTIAL BANK LTD (STATUTORY MANAGEMENT)	NOV. 1998	NON-PERFORMING LOANS MISMANAGEMENT
13	CITY FINANCE BANK LTD (STATUTORY MANAGEMENT)	NOV. 1998	RUN-ON-DEPOSIT MISMANAGEMENT
14	DELPHIS BANK LTD	21.06.2001	NON-PERFORMING LOANS
15	EURO BANK	07.03.03	NON-PERFORMING LOANS
16	DAIMA BANK LTD	14.03.03	UNDER CAPITALISATION.

5.6 APPENDIX-2

Non-Performing Loans and Provisions – December 2001-Source:CBK Annual Report.

No. Banks	NON- PERF. LOANS	SPECIFIC PROVISIO NS	TOTAL LOANS	NPLs / TIL. LOANS (I/3) %	SPECIFI C NPLS (2/1) %
1 Kenya Commercial Bank Ltd	19,989 14,582	6,743 7,567	39,569 26,119	51 56	33.7 51.9
2. National Bank of Kenya Ltd	5,951 5,924	1,032 3,481	47,615 16,667	12 36	17.3 58.8
3. Barclays Bank of Kenya Ltd	1,920 1,726	1,127 805	2,518 2,530	76 68	58.7 46.6
4. Co-operative Bank of Kenya Ltd	1,601 1,466	249 110	15,106 2,716	11 54	15.6 7.5
5. Delphis Bank Ltd	951	296	2,131	45	31.1
6. Co-operative Merchant Bank Ltd	930	244	1,543	60	26.2
7. Standard Chattered Bank Lt	923 913	542 398	4,702 3,347	20 27	 43.5
8. Guardian Bank Ltd	851	109	2,925	29	12.8
9. Development Bank of Kenya Ltd	793 745	302 272	3,400 1,061	23 70	38.1 36.5
10. Euro Bank Ltd					45.5
11. National Industrial Credit Bank Ltd	657 583	299 319	1,511 1,466	43 40	 45.5
12. First American Bank Ltd	544	196	4,586	12	54.7
13. Giro Commercial Bank Ltd	543 514	192 155	2,452 2,893	22 18	36.0 35.4
14. Stanbic Bank Kenya Ltd	480	114	669	72	30.2
15. Consolidated Bank of	461	88	3,695	12	23.8

Kenya Ltd	386	68	569	68	19.1
16. Southern Credit Banking Corp.Ltd	341	95	991	34	17.6
17. Industrial Development Bank Ltd	339	95	1,916	18	27.9
18. Commercial Bank of Africa Ltd	300	50	1,528	20	28.0
	298	94	816	37	16.7
	296	162	12,388	2	31.5
		93	783	36	54.7
19. Akiba Bank Ltd	283	61	1,565	18	32.9
20. Fina Bank Ltd	274	40	1,260	21	22.3
21. Daima Bank Ltd	270	186	2,526	10	14.8
22. Investment & Mortgages Bank Ltd	255	169	2,563	9	72.9
	235	62	5,398	4	71.9
23. City Finance Bank Ltd	225	66	1,340	16	27.6
24. Transnational Bank Ltd	213	39	917	19	31.0
25. Diamond Trust Bank Kenya Ltd	178	22	684	18	21.9
	121	84	792	14	18.2
26. Middle East Bank of Kenya Ltd	107	54	1,618	6	78.5
	98	49	720	12	55.1
27. Fidelity Commercial Bank Ltd	87	29	325	21	56.3
	69	34	851	7	42.0
28. Citibank,N.A.	57	34	732	6	59.6
29. paramount -Universal Bank Ltd	42	12	938	3	81.0
	24	4	740	1	50.0
30. Victoria Commercial Bank Ltd	6	1	476	0	
	1				66.7
31. Bank of Baroda Ltd					
32. Credit Agricole Indosuez					100.0
33. Imperial Bank Ltd					
34. CFC Bank Ltd					
35. African Bank Corporation Ltd					
36. Equatorial Commercial					

Bank Ltd					
37. Cridit Bank Ltd					
38. Habib Bank Ltd					
39. Prime Bank Ltd					
40. Charterhouse Bank Ltd					
41. Dubai Bank Ltd					
42. Bank of India Ltd					
43. Habib AG Zurich					
44. Biashara Bank of Kenya Ltd					
45. K-Rep Bank Ltd					
46. Chase Bank Ltd					
SUB-TOTAL	67,552	26,242	231,657	29	38.8

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