ST. MARY'S UNIVERSITY

BUSINESS FACULTY

DEPARTEMENT OF ACCOUNTING

ASSESSEMENT OF LOAN PRACTICE & PROCEDURE IN CASE OF UNITED BANK S.C HEAD OFFICE

BY

Dawude Abdrie

Zakir Temam

MAR, 2014

SMU

ADDIS ABABA

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APPROVED BY THE COMMITTEE EXAMINERS

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1. INTRODUCTION

1.1 Background of the study

Since the information between banks (as lenders) and borrowers is asymmetric, lending is a risky activity. Banks need to monitor their borrowers to ensure the credit extended will be reimbursed in accordance with the pre-agreed terms and conditions (Park 2002:25).

The issue of problem loan remains crucial for economies of the world countries. For instance, according to the Koizumi Cabinet, «One of the underlying causes of Japan's prolonged economic stagnation is the non-performing loan (NPL) problem». A study that according to the Financial Agency Services, the total sum of NPL extinguished from the book for the entire banking industry of Japan since 1992 amounted to nearly 69 trillion yen, but the new NPLs cropped up faster than the ones retired. The same study reveals that, 13 large city banks of the country had written off 8 trillion yen of NPLs at the end of March 2002. However, their combined NPLs outstanding actually increased by 8.7 trillion yen over the previous year due to a faster accumulation of new NPLs. These figures show that NPLs have become a serious concern and finding a solution is becoming an emergency. The problem is not restricted to only Japan; it concerns the whole world (Park 2002:25).

According to the McKinsey Quarterly, in 2002, European banks were owed $900 billion of non-performing credits. The daily also noted that dealing with NPLs has become so worrying for banks that some of them have discerned the seeds for a new business. Some banks and other companies are now specializing in debt recovery. If banks, which are supposed to be debt specialists, start outsourcing the recovery of their bad debt, depositors may be frightened and doubtful about the safety of their deposits. In 2000, the weighted average cost of bad debt as share of total profits in Europe was 48% (Akerlof, 1970:51).

Africa is also facing the problem of NPLs. There are three identifiable reasons that make the situation more critical than before: (1) the growing number of lending institutions, (2) the development of financial markets and stock exchanges and (3) the weaknesses in the Banking Supervision roles of Central Banks in the region (Akerlof, 1970:51).

The number of banks in Ethiopia has grown steadily the recent years. There is evidence that the growing number of banks will lead them to a competitive environment that will raise credit extension. In a heightened competition, more money will be lent with a moderate effect on banks credit policies. This occurrence will include the creation of problem loans. Therefore, this study aims to assess the loan advancing practice & procedure of United Bank.

1.2 Background of the organization

United Bank was incorporated as a Share Company on 10 September 1998 in accordance with the Commercial Code of Ethiopia of 1960 and the Licensing and Supervision of Banking Business Proclamation No. 84/1994 (united bank S.C 2012: 1).

The Bank obtained a banking services license from the National Bank of Ethiopia and is registered with the Trade, Industry and Tourism Bureau of the Addis Ababa City Administration (Ibid: 1).

Over the years, United Bank built itself into a progressive and modern banking institution, endowed with a strong financial structure and strong management, as well as a large and ever-increasing customers and correspondent base. At the end of June 2008, United Bank reported a net profit with a return on equity of 29.51% (Ibid: 1).

Today, United Bank is a full service Bank that offers its customers a full range of commercial banking services with a network that includes 3 branches. United Bank's priority in the coming years is to strengthen its capital base, maximizing return on equity and benefit from the latest technology in order to keep abreast with the latest developments in the local and international financial services industry (Ibid: 1).

Share Capital

At the time of its establishment, UB's authorized capital was Br. 100 million, out of which Br. 20,863,100 was fully subscribed and paid-up in cash by 335 founder-shareholders (Ibid: 2).

Having considered the need to bolster a better image for the Bank, enhance its lending capacity and enable it to absorb a larger risk, the Third Extraordinary General Meeting of the Shareholders, which was held on 7 December 2002 at Addis Ababa Hilton, unanimously approved the increase of the paid-up share capital to Birr 200,000,000. - (Two hundred million) in five years' time, the sales of the shares to reach the capital goal ended in February 2006 well ahead of the planned date. Subsequently, the fifth extraordinary meeting of shareholders approved the increase of the paid up capital to Birr 400,000,000.00 (Four Hundred Million Birr) in another five year time. Accordingly, new shares were on sale starting from April 2007 and surprisingly the shares offered were all subscribed well ahead of the planned time, which indicates the public trust United developed in a short period of time (Ibid: 2).

Once again, the seventh extraordinary General meeting of the Shareholders, held on the 23rd day of November 2010 at the Addis

Ababa Hilton, has unanimously approved the increase in the capital of the bank to be implemented in such a manner that the authorized capital of the Bank shall be Birr 1,000,000,000.00 (One Billion Birr) as well as the paid-up share capital of the Bank shall be increased from Br. 400,000,000.00 (four hundred million) to Br. 600,000,000.00 (six hundred million) in three years’ time by issuing 2,000,000 new ordinary shares for subscription. All the new shares floated have been subscribed in just three months’ time, although, the plan was to complete the sale of the shares in three years’ time (Ibid: 2).

Vision

The vision of United Bank is to be "The Preferred Bank" in the banking industry of Ethiopia (Ibid: 3).

Mission

UB’s mission is to render Quality Commercial Banking Services to the best satisfaction of its Customers; to enhance Shareholder value; to be one of, if not the best, employers in the industry; and, to discharge its corporate responsibilities to both the community in which it operates and the environment which it shares with the world (Ibid: 3).

Value Statement

- The customer is United Bank's lifeline.
- United Bank invests in its employees and dignifies them.
- United Bank is committed to quality.
- United Bank is a responsible corporate citizen.
- United Bank works towards profitability and growth.
- United Bank values honesty, integrity and loyalty.
- United Bank lives its values (Ibid: 3).

Corporate Governance

The Bank has a Board of Directors, which is accountable to the General Meeting of Shareholders. The current Board consists of nine members appointed by the General Meeting of Shareholders. The term of office of each member of the Board is three years, but they are eligible for another term (united bank S.C 2013: 4).

Ato Getachew Ayele is the current Chairman of the Board. All Directors have great merit with successful business and professional background (Ibid: 4).

The Board appoints the President of the Bank, who carries out the day-to-day management of the Bank. Ato Berhanu Getaneh is the current president. Three Vice Presidents and ten Department Managers with high academic qualification and long years of professional and banking experience assist the President (Ibid: 4).

United Bank's total number of staff as at March 31, 2013 reached 2080 including managerial, supervisory and support staff (Ibid: 4).

1.3 Statement of the problem

Loan underwriting practices are an amalgam of a number of things: the criteria used to approve loans, loan pricing, repayment terms, sources of repayment, collateral requirements, loan portfolio management and administration (including decisions about loan growth and concentrations), written lending policies, and adherence to polices. Given the breadth of loan underwriting practices and their effect on bank performance and credit availability there is a vast literature that bears either directly or indirectly on loan underwriting practices.

This literature can be divided into studies of the relationship between organizational form and firms' decision making (Stein, 2000), and studies that deal directly with the determinants of loan underwriting practices for small-business finance (Cole, Goldberg, and White, 2004; Berger, Miller, Peterson, Rajan, and Stein, 2002), studies of the effect of loan underwriting practices on credit cycles (Berger and Udell, 2002; Rajan, 1994; Weinberg, 1995), as well as the effect of loan underwriting practices on the risk of bank failure (OCC, 1988; FDIC, 1997) Cole, Goldberg, and White (2004) who are primarily concerned with differences between large and small banks in their small-business lending practices—model both banks' decisions to approve loan applications and borrowers' selections of lenders (banks).

Using data obtained from the 1993 Federal Reserve National Survey of Small Business Finance and bank financial reports, the authors estimate the lender and borrower choices using full information maximum likelihood estimation of two simultaneous profit equations, with controls for selection. They find that small businesses prefer to borrow from small banks and that small banks, in turn, approve small-business loan applications more often than large banks do. The authors also conclude that small banks prefer to lend to small businesses that are relatively informational opaque, whereas large banks prefer to lend to larger businesses that are able to provide hard data on their financial condition.

Smaller banks adopt small business loan underwriting practices that are riskier than those of larger banks, riskier in that small banks prefer to lend to small firms that lack hard financial data to support the lending decision and riskier to the extent that the failure rates of small businesses are higher than those of larger, established firm (Cole, Goldberg, and White 2004: 51).

The growth of lending activities to non-bank financial institutions, whose number is also significant will heighten competition in the lending sector and then make the credit conditions more flexible. Since the number of borrowers will increase due to probable decrease of credit requirements, the likelihood for banks to lend to bad borrowers will also increase. In that situation, prudent credit risk management systems and ability to manage problem loans will become critical successful factors. Therefore the study aims to assess the loan advancing practice & procedure of United Bank.

1.4 Research Questions

In light of the problem discussed above the research answers the following questions:-

1. What are the Credit Risk Management processes of the Bank's credit procedure?

2. What measures are taken to prevent the creation of non-performing loans?

3. What are the existing non-performing Loans Management Systems?

4. What are the problems that face the customer in loan advancing procedure?

1.5 Objective of the study

1.5.1 General objective

The general objective of this study is to assess the loan practices & procedure at United Bank.

1.5.2 Specific objectives

The specific objectives aim to:

1. To assess the Credit Risk Management Processes in the Bank's credit procedure

2. Assess the existing Problems of Loan Management Systems of the Bank and compare these systems to other banks

3. To assess the improvements of the Problem Loans Management Systems of the Bank.

1.6. Significance of the Study

It has important contribution to banking industry in case of our country as the sector has shown a rapid growth.

- This study may give a clue for bank managers to examine the problems related to loan practice and procedures.
- It helps for bank in devising policies and strategies that can improve the existing loan practice and procedures.
- The study would serve as a base for scholars who have an interest to conduct their further study in this area.

1.7 Scope of the Study

To do research on large population it needs much time, fund and manpower. Therefore, inclusion of all branches of the bank is difficult. Due to this fact the study deal with head office, because all branches have related to the head office, and also the study delimits itself in assessing the loan practice & procedure of past year 2013 only from sample respondents.

1.8 Limitations of the study

In order to complete this research successfully, there are practical difficulties. The time available is short for an in-depth understanding of the Ethiopian market, which is united bank, operates in all over the countries.

There is also a difficulty to find relevant materials related to the field of study is also encountered. Although the issue of problem loans has important accounting dimensions (provision and interest dealing), these is not analyzed in depth because the focus of the study is fixed on the lending practices in the Bank with the view to improving the problem loan situation.

1.9 Methodology of the study

1.9.1 Research design

To conduct this study, the researchers used descriptive survey method. Thus, it serves to describe all the data collected presented, analyzed and interpreted.

1.9.2. Targeted population and sample size

The populations of the study were employees and borrowers of the case company. Because of difficulty to cover the whole population, the study conducted by taking samples. Purposive sampling is applied to select sample population in the research and 8 employees are selected to fill questionnaires from top level management and loan officers of the organization. Purposive sampling is chosen because the right information sources are limited and specific. From various borrowers 25 borrowers are selected using accidental sampling technique since the numbers of customers are not known certainly.

1.9.3 Types of Data collected

In order to conduct this study and achieve its stated objectives all relevant and necessary primary as well as secondary type of data were used. Primary data is data directly collected from sample respondents for the research purpose. Secondary data were also being another part of the study that obtained from Reference books, research papers made in the area of Loan, manuals, rules, procedures and directives of the bank in the area of Loan were taken for investigation.

1.9.4 Method of Data Collection

In order to collect data and conduct this study, the researchers used questionnaire and document review as a data collection method. The reason why because questionnaire is used; it can protect privacy of respondents, it can gather large amount of data within a specific period of time and it is also cheaper than other methods. And also document review is used to gather information about similar problems investigated by other researchers as a base line.

1.9.5 Method of Data analysis

To conduct this study, the researcher's use both quantitative and qualitative data analysis method. First the data were collected through the questionnaires and analyzed by using spreadsheet for descriptive statistics and qualitative method of analysis is employee for feedbacks. Thus, percentage and frequency count enable the presentation, analysis and interpretation of data obtained from sources of data.

1.10. Organization of the Study

The research paper incorporates four-chapters. The first chapter is an introduction part that covers the background of the study, statement of the problem, objective of the study, significant of the study, methodology and framework of the study. In the second chapter related literatures were reviewed in order to get information about the subject of the study. The third chapter deals with data analysis and presentation of the findings and the forth chapter contain summary, conclusion and recommendation.

CHAPTER TWO

2. Literature Review

2.1 lone advancing procedures

2.1.1 Definitions and concepts of loan

Loan is the sale of goods, services and money claims in the present in exchange for a promise to pay in the future. That means the debtor and the creditor agrees to settle their transactions (Garry smith 1995: 35).

In respect of bank's meaning: credit means lending or granting money to those who are in need of it (investors) who fulfill the bank's requirements. It is a liability for the individual or corporation received it but an investment comparable to bond, stock or other asset. For each borrower a loan is adept, an obligation to repay the borrower money plus interest (Ibid: 35).

We live in a world of credit. Every day in every way we become more and more involved in various aspects of this credit world. Credit contributes to the development of the country and to high standard of living. The major participants in the credit world are banks. This is because most credits directly or indirectly originated from financial institutions, and credit granting is one of the major activates of banks. It is through this credit granting activates that they made up large portion of their earnings (Ibid: 35).

2.1.2 The business of banking

Banks act as financial intermediaries accepting money on deposit and lending it to other people for periods of time up to several years. The bank's function then is to convert short run deposit in to longer- run loans (Palfreman Ford 1998: 42).

2.2 Profitability and Liquidity

Like any other financial institutions, the banks, objective in providing services to borrowers and depositors in the generation of profit (Mishkin, Frederic 1989: 10).

Banks principally make their profit by issuing loans. Banks make profit by selling liability which one set of characteristics and using the proceeds to buy assets with a deferent set of characteristics. Thus banks provide a service to the public by transferring one type of assets in another The more money they can lend, the more profit banks can earn. However, a bank cannot lend out all the funds. It must retain enough money in liquid form to be able to meet depositor's requests for repayment. In this regard we find the root cause of the banker dilemma because generally speaking, the more liquid the form in which funds are held, he less the rate of return. Cash holdings for instance, being the most liquid form of asset, generate no profit at all (Ibid: 10).

It is true that successful banking requires successful management of both assets and liability. Safety and liquidity must be carefully balanced against asset earnings. Profitability requires care full controlee of the cost of the bank source of funds (Ibid: 10).

The banks therefore affect a careful balance between the maximization of lending and the maximization of liquidity to the lowest level consistent with safety (Ibid: 10).

To some extent this task is taken out of the bank's hands by official controls but nevertheless, there is still considerable room for maneuver. The conflicting requirements of profitability and liquidity can be viewed as resulting directly from the conflicting desires of the two groups who have provided the bank's financial resources; we share holders and depositors (Ibid: 10).

Loans are typically less liquid than other assets because they cannot be turned in to cash until the loan matures. If the bank makes a one year loan for example it cannot get its fund back until the loan come due in one year. A loan also has a higher profitability of default was other assets. Because of the lack of liquidity and higher default, risks the bank earn its higher return on loans (Mishkin, Frederic 1989).

2.3. Lending procedure

2.3.1 The principle of lending

Lending money is easy, it is ensuring that loan are repaid that skill is required when asked to make a loan, the first concern of a bank will be to extract as much information as possible about the proposition so as to be able assess the probability of repayment (Palferman Ford 1989: 35).

Some loans will become **NPLs** and cannot be recovered but this should never happen as the result a risk which could have been foreseen form the outset. In coming to a decision you must check how well the proposition measures up to a number of criteria. Some of the questions to be asked are vital other less so but all help the lending officer to obtain an overall view of the proposals (Ibid: 35).

In one sense these criteria can be looked on as a series of hurdles. Which would be borrowers must clear, they fail to completely satisfy the bank on one of the important principles than the application will probably not be pursued all the way through the rest of the decision making process. On the other hand it has to recognize that few proposals for advance are perfectly satisfactory in all respects. In most cases the baker must use skill judgment and experience in balancing the good points and the bank points of the proposition to judge the probability of the outcome (Ibid: 35).

Each bank should immediately under take a sample of the information and data sought for examination of loan proposal from clients in the priority sectors for ascertain whether the demands made by the bank are excessive and or unrealistic, with a view to initiating corrective action. Banks must enjoy on their operating start to call for information data, etc for examination of loan applications, as far as possible in two or more installments (Ibid: 35).

In considering loan applications loan officers should be encouraged to adopt flexible approach here what is important is an overall appraisal backed by a good knowledge of laical market prices applicant and his / her back ground and familiarity with the nature of operations of applicant (Ibid: 35).

Loan officers should be able to comprehend the total situation and determine whether,

- applicant seems honest
- applicants proposal seems reasonable
- the information given by the applicant makes sense
- Applicants can accomplish the purpose of the loan.
- Purpose of the loan of the loan is legitimate and productive
- Applicants with having with the capacity to repay the loan according to schedule under normal circumstance and
- There is margin of safety, if things just do not go right.

Bank staff should perform an additional duty of consulting these applicants where ever required, with a view to converting seemingly imprecise and in attractive proposals in to reasonably bank able proportions (Gray Smith 1991: 29).

Controlling offices of bank's should advise their branches detailed reasons for rejection of loan proposals wherever this is not already being done this will enable branch staff to understand the core lending policy and in turn do counseling to applicants in appropriate cases (Ibid: 29).

It would be desirable to advise loan applicants, in each case, the reason for rejection of their applications but this may not be possible always. Banks would be justified in refusing to make known the reason for rejection. But, wherever possible, customers should be advised of the reason backed by counseling in appropriate manner (Gray Smith 1991: 29).

2.3.2 Credit Term

How long is the advance required for although this will depend to all large degree on the proposals for repayment, it is important because the longer the loan is outstanding the more chance there is of something unforeseen happening to prevent the customer from adhering to the agreed schedule (Suekhar 1987: 112).

2.3.3 Control of credit

In a developing economy as that of ours shortage of capital has always been as tumbling block on the road to industrial progress. The role of commercial banks in overcoming this difficulty by extending large credit facility is abundantly clear. However, this does not mean that they should be given a free hand in the creation of credit. The recent monetary policy of the reserve bank shows that it has taken a serious view of the rising price levels; the key note of the policy has been to exercise both a general and selective restraint on credit and pruning down of the less essential demands through a combination of measures, quantitative, qualitative and selective. The bank has been careful to implement the various methods of credit control in a flexible and judicious manner (Suekhar 1987: 112).

2.4 Interest Rate

2.4.1 Definition of interest rate

Interest rate is of course the priced charge a borrower for the loan of money. This price is unique because it is really a ratio of two quantities; the total required fee that a borrower must pay a lender to obtain the use of credit for a stipulated period divided by the amount of credit actually made available to the borrower.

$$\text{Rate of interest} = \frac{\text{fee required by the lender}}{\text{Amount of credit made}}$$

By convention, the interest rate is usually expressed in percent per annum. For example, interest rate on overnight loan of reserves in Federal funds market are expressed in percent per annual although the loan is going to be paid the next day in addition, some interest rates measures use a 360 days year and others a 365 day year. Some employ compound rate of return, with interest income earned on accumulated interest and some do not use compounding (Richard and Really 1996: 301)

2.4.2 The Theory and Structure of Interest Rate

There are several theories of interest rates and their implications in financial system among this theory, the following four are the common and as well poplar as believed by economists and financial analysis (Richard and Really 1996: 301)

1. Classical theory of interest rate
2. The liquidity preference theory of interest rate
3. The loan able founds interest rate
4. The rational expectation theory of interest rate

1. The Classical Theory of Interest Rate

It is one of the oldest theories concerning the determinant of the interest rate

The classical theory argues that the rate of interest is determined by two forces

a. The supply of saving derived from household and
b. The demand for investment capital

2. The liquidity preference theory

During the 1930's the British economists John Maynard Keynes developed a short run theory of interest rate which he argued was most relevant for policy makers and explaining near- term changes in interest rate (Richard and Really 1996: 301)

This theory is known as the liquidity preference theory of interest rate.

3. The loan able fund theory

This view argues that the risk free interest rate is determined by the interplay of two forces

I. the demand for loan able funds consist of credit demands from domestic business consumers and units of government and borrowing in the domestic market by foreigners

II. The supply of loan able funds stem from;

- Domestic savings
- Hording demand for money either positive hording or dishoarding which increase volume of loan able funds.
- Money creation by banking system and
- Lending in the domestic market by foreign individuals and institutions

4. The Rational Expectations Theory of Interest Rate

The rational expectation theory builds up on a growing body of research evidence that the money and capital markets are highly efficient institution digesting and reacting to new information attesting interest rates (Mishkin and Frederic 1989: 43).

We have already mentioned that banks pay interest on deposits and charge interest on loans. Before us more on to look at how these activities express themselves on the banks' balance sheet, we should ask ourselves what we understand by term interest rate. As defined earlier the simplest definition of interest is that it is a payment made for the use of someone eagle's money. When we speak of a rate of interest we should be aware that are a multitude of different rates in operation at any one time. The particular rate of interest charged by a lender or paid to a depositor depends on a number or interrelated factors the principle of which is the risk element and the time factor (Ibid: 43).

Any other form of loan will curry an appreciably greater level of risk that the funds will not be recoverable and the rate of interest charged will increase accordingly. Eventually, the point will be reached where a proposed loan is so risk that a lender will not be found no matter know high the offered rate return. Similarly the longer the period, over which the lender surrenders the liquidity of these funds the vaguer he will expect the rate of return to be (Ibid: 43).

The low the risk of default the more the attractive the loan and the lower the inters rate charge generally interest rates,

- Send prince signals to borrowers, lenders savers and investors
- Higher interest rates generally bring forth greater volume of savings and stimulate the lending of funds.
- Lower rates on the other hand tend to dumps the flow of savings and reduce lending activities.
- Higher interest rates tend to reduce the volume of borrowing and capital investment will lower rates stimulate borrowing and investment spending (Gary Smith1995: 74).

2.4.3 Security for the advantage

Once the proposition and its likely success have been assessed you then move on to consider what assets the customer can pledges as security for the advance. It must be proposition as supported by the security and not against the security alone (Gary Smith1995: 74).

It the proposition does not seem viable in its own right and he or she was a defaulter or no more good credit relation with other banks then is will almost certainly have to be relied on as the source of repayment. In other word you should have decided that you want to make loan before you look at the availability of security (Ibid: 74).

2.4.4 Source of Repayment

The source of re payment must always be clarified before the advance is taken generally this will come either out income or from realization of capital assets. Your objective will be to check that the proposals for repayment are feasible in the circumstance of the particular case. Repayment instilments should be fixed invariably not in relation the size of loan or on the basis of willingness of applicant, but strictly in relation to applicants paying in to also the minimum basic necessities of applicant and his dependent family members. It may at time be necessary to relax the maximum repayment period generally stipulated in various schemes formulated by bank concerned (Gary Smith1995: 74).

2.5 Loan advancing laws and regulation In Ethiopia

Central bank in Ethiopia it is also called national bank of Ethiopia (NBE)

This bank acts as an elder of the money market supervising, controlling and regulating the activities of the commercial banks and other financial institutions. The NBE functions in close touch with the government and assist in implementation of its economic policies. It serves as banker agent and advisor to the government (Assefa Moges 1998: 5).

- Discussion under the compulsion

1. Under NBE, the house of people representative /HPR/ has categorically established the baker's right to capitalize inters 6% up on loan, if unpaid by the borrower on yearly or half yearly basis irrespective of the fact whether it is secured or unsecured loan.
2. It was held that the payment made by a debtor is in the first instance to applied towards interest and thereafter towards the principal, unless there 95 and agreement to the contrary.

3. Under the NBE the reserve bank is expound to collect credit information from banking companies relating to their customers.
4. Borrowing from other commercial bank, a bank may create addition liability by borrowing from other banks having excess reserves. But such borrowings are only for short duration, for a day or week at the most. The interest rate of such borrowings depends up on the prevailing rate in the money market.
5. Borrowing from the central bank (NBE); bankers also create liabilities on themselves by borrowing from the NBE.
6. Safety: it means that the borrower should be able to repay the loan and interest in time at regular interval without default.

   The repayment of the loan depends up on the nature of the security, the character of the, borrower, his capacity to repay and his financial standing.
7. Diversity: this principle also applies to the advancing of loan to varied types of firms, industries business and trades. It should spread it risks by giving loans to various trade and industries in different parts of the country (Assefa Moges 1998: 5).

CHAPTER THERE

3. Data Presentation, Analysis and Discussion

3.1 Introduction

3.1.1 Loan Advancing Procedures

The borrower will have a first contact with the banker this affords a chance to examine about the banker. This affords a chance to examine about the application, while interviewing. The banker should try to cover points like, the purpose of the loan, deposited account at other branches of the applicant if any business experience of the applicant, the applicants commitment elsewhere, ways of paying loan and the business plan (United bank S.C 2012: 44).

Once a potential customer indentifies the need of bank loan and approach a branch of the bank, the branch carries out an appraisal with the assistance of the potential customer to provide basis for decision.

Branch managers and lending officers have to carry out comprehensive and detailed analysis work in order to determine the business and the securely strength of the applicant.

To make credit decision United bank has its own guidelines and procedures for handling loan applicants to advance the loan.

There are steps in processing loans:

3.1.2 Secondary Data Analysis and Discussion

Letter of Application

The loan application should specify every detail request of the loan clearly including;

- The name of the applicant

- The amount of loan requested birr
- The purpose of the loan requested in birr
- The purpose of the loan for which it is use
- The installment payment if monthly, quarterly, semiannually or lump sum
- Duration of the loan in which the borrower intends to pay the debt
- Type of collateral to be offered (movable or immovable)
- Full address
- Signature

3.1.3 Opening of Account

The applicant is supposed to open either current or saving account if he or she is new to the branch and was no any account he or she is new to the branch and was no any account before. This is helpful to direct all his or her transactions through a bank account which will finally hint on the financial performance of the customer and the activity of the business. In addition it helps to disburse the approved loan and also to debt for the periodic installments and other charges like insurance and stump duty charges.

3.1.4 Submission of Necessary Documents.

For the review and comments as to who is authorized to conclude loan contract on behalf of the enterprises and also whether he or she can mortgage the property of the company along with the application, the customer should summit the following;

- Like appropriate and renewed original licenses with one copy which shows the beginning capital and year of establishment at least one year in business

- Collateral documents. If the collateral is building the plan and ownership certificate (title deed if the collateral is vehicle need to present car book late)
- Audited financial statements
- Memorandum of association registration certificate and article of association and power of attorney where applicable must be presented (in case of plc and S.C)
- Any document relevant to the business such as contract made with other organizations and any feasibility study connected with new investment proposal
- Based on the above documents the bank makes further investigation
- Confirms the geniality of the documents presented by the applicants
- Interview the applicants way she or he needs the money, how she or he has planned to return it and other
- credit information from NBE central data center in order to know the applicant is a defaulter or was good customer in other bank
- In relation to the amount of money that the customer requested, the bank was different hierarchies that scrutinize and approve the loan to be granted.

This is as described below;

Up to birr 750,000 the branch loan committee can approve and above birr 750,000.00 approved by the head office credit committees.

3.1.5 Interview

Before starting the paper work for the actual processing a loan the loan officer makes further investigation. The respective loan officer must interview borrowers in order to confirm the genuinely the documents presented by the applicant the questions raised and the response made must be recorded on CCR and attached to the respective file for reference.

Questions declared are like;

- Address
- Name of his / her wife or husband (for credit purpose)
- Year established
- Initial capital & present capita in birr
- Facility applied birr
- Purpose
- security offered
- relation with this bank and other such as depositor, borrower or mortgage
- other liability such as payable, bank loans , tax payable and third party liability
- assets such as cash in bank, cash on hand, goods in stock, advance payment on merchandise in transit etc
- income such as : sales other income etc
- expense such as salaries and wages, insurance ,utility and other

3.1.6 Credit Information

Before deciding on financing of the business it should be obtain both internal and external sources before making a decision on the financing of the business it should be a decision on the financing of the applicant.

Internal source of information are the customer's account in the bank. The business activity and credit worthiness of the applicant can be obtained by the reputation and magnitudes of the transactions as well as the checked balances for lack of funds.

Other means of information may be past records of settled loans to confirm his agreement habit. As an additional source NBE central data will also provide inform if there is belief that the customer was bee doing his other credit or deposit with other banks. The NBE specifies the applicant's credit relationship with other borrowers past and present performance on credit activity. After this the next step is to review the borrower's business activities.

3.1.7 The Business Visit

The branch management and the loan officer sound visit the applicant's business site as well as the personal guarantor if any. The purpose of this visit is,

- To confirm the announced financial position by checking physically the amount of cash on hand, receivable document, buildings. Goods in stock etc.
- Access whether the applicants is actually operation a business that they are licensed to
- Have an overall view that the business of the applicant by observing as regards demands of the area the numbers of employee and machineries.
- Determine the address of the borrower or this guarantor for subsequent visit also to identify the security pledged.

3.1.8 Property Estimations

This is done only after being satisfied with the activities of the business. The property must be fixed in its nurture, have already marketable value not characterized by wide fluctuation and movable like motor vehicle. Bank engineer or loan officer with the branch manager must estimate all properties offered as security on fee paid. It is estimated by loan officers or hired professional evaluators who are experienced in market value of all kinds of properties.

Collaterals typically vehicles must be re estimated every request of loan due to a rapid deprecation. While building must be re estimated other every three years or after extension is made.

In relation to amount of loan that the customer requested the bank has different hierarchies, up 750,000 birr and if the collateral is vehicle an engineer from head office estimates the collateral.

3.2. Source of Repayment

Before proposing loan for a person or an organization it should be known that from which the loan give to the borrower is expected to be repaid. It is suppose to repay from the proceeds of the business activities from his /her sales volume in which generates income within reasonable period of time not from the liquidation of the collateral. And also thinks about repayment schedule such as monthly, quarterly, semi-annually, at maturity etc. this is observed from the borrowers financial analysis of income statement and balance sheet which includes cash on hand available during visiting, cash in bank as at date, account receivable and note receivable as per his /her book register during visiting, goods in stock at visiting shipment in transit as per the receipts, building held as collateral and other additional assets, networking capital, current ratio, sales to receivables ration, sales to current asset ratio income for tax as percentage of current asset, and total debt to net worth ratio. After all this done the loan officer prepares the LAF to approve or reject.

3.2.1 Loan Approval

After all the above activities are completed the loan officer should prepare the loan approval format. The LAF is a format which includes all the necessary information about the borrower such as name of the borrower, types of loan, required amount, purpose of the loan, collateral offered, value of collateral, liabilities outstanding (including the bank) balance sheet summary (including net working capital this year and last year capital and reserve net profit loss). And all other activities of the borrower like back ground source of repayment financial performance, managerial capability and all other activities that was in the above step are summarized and displaying in the way that easily to understand for the loan committee. And then the loan officer recommends granting the request; then the final part of the LAF is recommendation. In this part should specify, amount recommended duration of loan period, interest rate, and amount of repayment, repayment schedule, blue and collateral offered, conditions should be fulfilled before disbursement is effective. After that the loan proposal that meets all the criteria has to be submitted to the branch loan committee for approval. The branch loan committee has the power to accept, or to reject the loan proposals, which is submitted to it, if he loan amount is above the branch limit, which is above 750,000 birr it is recommended to approve or decline by the head office credit committee.

3.2.2 Loan Contract

After the loan committee approves the proposal of loan the loan contract is to be prepared immediately in all proposed formats and copies as needed in order to register.

Loan contracts are contracts of which the borrower owns or acknowledges the loan forwarded to him, undertakes to pay the periodic installments, agree to pay the indicated interest rate. Loan contracts are witnessed (stat of the bank) by the person and must be signed by the branch manager and the borrower. After this signing of the contract, the borrower will be identified and will also get a copy.

3.2.3 Security Contracts

Securities are pledges or collaterals for the loan advance and fasten the guarantor equally and the borrower himself in case of default. Similar to loan contracts, security contracts are also signed the contracts by the branch manager and the guarantor for and with the witness (Staff of the bank) of three persons. Besides to this the spouses of the guarantors should join in signing the contracts in case of married person.

In general other *relevant* appends to the contract, like variable interest rate append, defect clause append, insurance appends etc. should be fulfilled in and signed by contract witnessed.

After signing all the contracts, they should be sent to the respective offices for registration of debt against the property. For instance for buildings, the contracts are sent to the municipality who will register the loan, retain a copy of the contract return the rest to the branch. For vehicles the ministry of transport and communication register the loan on the respective files of the vehicle. As per the writer opinion this task should be handling by the bank messenger order to not create insolvency to customers.

The main aim of registering the loan at these offices is to safe guard the lender interest against transferring of the title of the collateral to the third party without the awareness of the bank.

3.2.4 Insurance converge for the collateral

Insurance can be briefly defined as the coverage by contracts was by one alliance under takes to identify of guarantee another against loss by a specified contingency.

All properties considered as guarantee while granting loans should be covered and authorized by insurance companies against relevant risks in the name of the bank and the property holder. For instance a building its values of location fences compound and are not included in the insurance rather the year naturally covered against lightening and fire.

In all cases, the insurance policies should be confirmed in the application or name of the lender so that the gain or proceeds will be directed to the lender for the settlement of the debit in the case of the determinate of the property.

3.2.5 Loan disbursement

After accomplishing all the duties mentioned in the report body, then approving of the loan, the contract registered and confirmed insurance policies submitted, disbursement could bade nevertheless, prior to forwarding the loan, the following points should notice.

- For the purpose of management of end use of the loans they should paid directly to the concerned seller or supplier gains written consent of the borrower it the loan approved is for the purpose of purchasing truck etc. but if the loan is for working capital, disbursed to his or her saving or checking account
- All conditions stated by the loan committee should be fulfilled
- The borrower should give as theorization to the lender wages such as periodic loan repayments, revenue stamps, estimation facing other charges pertaining to the credit.

All the information and entries should be immediately posted in computer only since, it is computerized of open in the name of the borrower.

Accounting treatment

Accounting treatment during disbursement of the money to the debtor (assume Mr. X is a debtor) will be as follows;

- For the approval of the loan debit loan number and credit account number of Mr. X
- For the estimation fee debit accounts number of Mr. X and credit other income (estimation fee).
- For the stamp duty charges debit account number of Mr. X and credit head office account
- For the revenue stamp, debit account number Mr. X and credit sundry debtors (miscellaneous)

3.2.6 Interest calculation

At the end of the month always interest should be calculated and credited to related categories of the different term loans. During calculating the monthly interest the bank uses simple interest rate.

At present, the interest rate for lending in 9.25% for one year, 9.75% for year and half, 10.25% for two year and above but this is not fixed. It may changes from time to time in line with the economic condition of the country, which included cleared by the demand and supply of the economy. The bank uses 365 days as a basis for calculating interest rate. Since United bank use computerized system, interest is calculated and posted at the end of every month. The practical calculation of interest is done as follows,

$$\text{Monthly interest} = \frac{\text{principle} * 30(31) \text{ days}}{365 \text{ days}}$$

The following entry is passed to debit the interest average to the perspective loan account at the end of every month: debit loan number of Mr. X and credit income.

When costumers are non- performing in making heir repayments there is an additional interest rate added to the minimum rate specifically 3% a loans categorized as a non- performing loan when repayment delays for three- months or more. The interest is calculated as follows,

$$\text{Monthly interest} + \text{principle} * (\text{interest rate} + \frac{3\%) * 30(31)\text{ days}}{365\text{ days}}$$

The penalty rate was applied in accordance to the contract made between the bank and the debtor.

Monthly interest rate is capitalized and each loan account of a customer unless other wises the loan accounts are non- performing. It a loans nonperforming, the interest is kept underrate adduct (single entry)

3.2.7 Follow up and Collection Procedure

Loan advancing involves processing a loan application, approval disbursement and follow up has made to see that the loan is used for the purpose it was intended and the borrowers complying with the terms of the loan agreement. Diverting the purpose of loan after approval is not allowed.

Follow- up starts after the loan disbursement has been effective. There should be no relaxation in the follow-up of loans. Keep the track of a loan repayment schedule in the case of term loans. Credit follow-up is one of the main tasks of manager and loan officers as well as the credit and risk management department. Nevertheless, it is also the most espial source of potentials. In May ways the most difficult function of lending is the collection of disbursed loans. It any loan falls arrears of is overdue (loans and advances which are not repaid in full at the agreed period as per contract) in spite of regular follow up the lending branch shall contract borrowers by telephone and visit them

The entry involved for treatment of loan repayment has debit account number Mr. X and credit loan number Mr. X

3.3 Primary Data Analysis and Discussion

Data Presentation and Analysis Obtained from the Bank's Customer;

In this section the data collected has been analyzed and interpreted from the answers, comments and suggestions of respondents pertaining to the loan advancing procedures and practices in United Bank S.C Head office; Distributing the questionnaire to 25 loan customers of the branch using accidental sampling technique since the number of customers are not known certainly. Moreover direct observation, personal experience and secondary data collected are used. When questionnaires were distributed to the customer of the bank & all 25 questionnaires were filled and returned because the questions are closed ended, few in number and is easy to answer.

3.3.1 Background of the Respondents

Table 1 respondent's gender

Sex	No.	%
M	18	72
F	7	28
Total	25	100

Source: survey study, 2013

According to the questionnaires conducted in the above table demonstrates, among 25 prominent responded customers of the bank 18(72%) are males respondents, while the numbers of female respondents are 7(28%). From the above quantitative data, it is possible to understand that majority of the branch credit customers are males.

Table 2 educational background of the respondents

Education	T.V.E.T	Diploma	Degree	>Degree	Total
No.	5	11	7	2	25
%	20	44	28	8	100

Source: survey study, 2013

In the above table is related to the educational background of the respondents'. It shows 5(20%) respondents are TVET graduates, 11(44%) respondents are diploma holder, 7(28%) respondents are degree holder, while 2(8%) of the respondents are above degree. From the above data, it is possible to understand that majority of the branch credit customers are Degree holders'.

Table 3 annual income level of the respondents

Annual Income level	<100 T	100 T -500 T	500 T – 1 M	>1 million	Total
No.	-	8	11	6	25
%	-	32	44	24	100

Source: survey study, 2013

From the above table analysis, 8(32%) of the respondents are between one hundred thousand up to five hundred thousand income per year, 11(44%) of the respondents are between five hundred thousand up to one million income per year and the remaining 6(24%) of the respondents are above one million income per year. From these one can understand that majority of the respondent are between five hundred thousand up to one million income level per year.

Table 4 length of time stay as a borrower

customer	< 2 year	2-5 year	>5 year	Total
No.	5	14	6	25
%	20	56	24	100

Source: survey study, 2013

The above table 4 shows the length of time that customers stay as a borrower of the bank. The analysis shows 5(44%) of respondents are below 2 year, 14(56) respondents are between 2-5 years and 6(24%) of the respondents are above 5 years of customer as a borrower with the bank. From the above table, it is possible to understand that majority of the branch credit customer's stays long period as a borrower of the bank.

3.3.2 Clients opinion on time elapsed to obtain loan

Customers are very aware with regarding to the time taken to advance the loan they requested. Therefore, the following table summarizes the time elapsed from the date of application to date of disbursement.

Table 5 the approval of loan requested

Takes for the approval of loan requested	<5 days	5-10 days	15-30 days	>30 days	total
No.	10	4	8	3	25
%	40	16	32	12	100

Source: survey study, 2013

From the above table 5, 10(40%) of the respondents are replied that it takes less than five days, 4(16%) of the respondents are replied that it takes five up to ten days, 8(32%) of the respondents are replied that it takes fifteen up to thirty days, and the remaining 3(12%) of the respondent are replied that it takes more than thirty days. From the above table, it is possible to understand that majority of the loan approval time is less than five days.

Table 6 time taken compared to other banks

Time takes Compared to other banks loan advancing procedure	Long period	Short period	Medium period	Similar period	Total
No.	-	5	13	7	25
%	-	20	52	28	100

Source: survey study, 2013

In the above table analysis shows 5(20%) of the respondents are replied that it takes short period, 13(52%) of the respondents are replied that it takes medium period, 7(28%) of the respondents are replied that it takes similar period compared to other banks. From the above table, it is possible to understand that majority of the loan advancing procedure compared to other banks is takes medium period.

3.3.3 Customers satisfaction

In this part the researcher tries to gather information about the customer satisfaction towards the loan advancing procedure of the branch.

Table 7 customer satisfaction

Satisfaction on loan advancing procedure	Yes	No	Indifference	Total
No.	19	2	4	25
%	76	8	16	100

Source: survey study, 2013

In the above table 7, 19(76%) respondents are satisfied with the existing procedures, 2(8%) respondents are not satisfied with the loan advancing procedure, and 4(16%) respondents are indifference. From the above table, it is possible to understand that majority of the branch credit customers are satisfied with the loan advancing procedure.

Table 8 customers' intention to shift to other bank

Intention to shift to other bank	Yes	No	Indifference	Total
No.	2	20	3	25
%	8	80	12	100

Source: survey study, 2013

From the above table 8, 2(8%) respondents have intention to shift to other bank, 20(80%) respondents have no intention to shift to other bank and 3(12%) respondents are indifference. From the above table, it is possible to understand that majority of the branch credit customers has no intention to shift to other bank.

Table 9 problems that face the customers

Problems that face the customers	Insufficient collateral	Default repayment	Noninsured collateral	No problem	Total
No.	4	2	2	-	8
%	50	25	25	-	100

Source: survey study, 2013

From the above table analysis 4(50%) of the respondents said that insufficient collateral appeared by customers, 2(25%) respondents said that default repayment exist, & 2(25%) of the respondents said that non insured collateral came up with customers. From the above table it is clear to understand majority of the customers face insufficient collateral problem.

3.3.4 Data presentation and analysis obtained from the bank's employees:

In this section the data collected was been analyzed and general presented according to the answers, comments and suggestions of the respondent's employees of United bank S.C Head office branch. In distributing the questionnaire the researcher used purposive sampling of 8 employee of loan section of United bank S.C.

Table 10 employees' gender

Sex	No.	%
M	3	37.5
F	5	62.5
Total	8	100

Source: survey study, 2013

According to the above table analysis result 3(37.5%) of the respondents are males and the remaining 5(62.5%) are females. From the above table one can easily understand majority of the respondent are females.

Table 11 employees' age level

Age	25-30	31-40	>40	Total
No.	2	4	2	8
%	25	50	25	100

Source: survey study, 2013

From the above table 2(25%) respondents are between the ages of 25-30, 4(50%) of respondents are between the ages of 31-40 and the remaining 2(25%) are above age 40. From the above table anyone can understand majority of the respondents are above age 31.

Table 12 employees' educational background

Education	Diploma	Degree	>Degree	Total
No.	2	5	1	8
%	25	62.5	12.5	100

Source: survey study, 2013

In the above table is related to the educational background of the respondents. It shows 2(25%) of respondents are diploma holder, 5(62.5%) of respondents are degree holder, while 1(12.5%) of the respondents are above degree. From the above data, it is possible to understand that majority of the employees are Degree holders'.

Table 13 employees work experience

Work experience	>1 year	1-5 year	>5 year	Total
No.	2	5	1	8
%	25	62.5	12.5	100

Source: survey study, 2013

From the above table 2(25%) of the respondents have less than one year work experience, 5(62.5%) of the respondents has one up to five year work experience, while the remaining 1(12.5%) of the respondents has more than five years work experience. From the above table, it is possible to understand majority of the employees have enough work experience.

Table 14 employees' experience regarding loan

Experience regarding the loan advancing procedure	Yes	no	Total
No.	8	-	8
%	100	-	100

Source: survey study, 2013

CHAPTER FOUR

4. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

After all the detailed analysis was done in the previous chapter, major findings are summarized, conclusions are drawn and possible recommendations are forwarded by the researchers.

4.1 Summary

From the data presented, analyzed and interpreted the student researcher find the following major findings

- ☞ According to the study, majority of the branch credit customers are males.
- ☞ As revealed by the study, majority of the branch credit customers are Degree holders'.
- ☞ Majority of the respondent are between five hundred thousand up to one million income level per year.
- ☞ As revealed by the study, majority of the branch credit customer's stays long period as a borrower of the bank.
- ☞ According to the study, majority of the respondent replied that loan approval time is less than five days.
- ☞ Majority of the respondent replied that the loan advancing procedure compared to other banks is takes medium period.
- ☞ As revealed by the study, majority of the branch credit customers are satisfied with the loan advancing procedure.
- ☞ As revealed by the study, majority of the branch credit customers has no intention to shift to other bank.
- ☞ According to the study, majority of the customers face insufficient collateral problem.
- ☞ As revealed by the study, majority of the respondent are females.
- ☞ As revealed by the study, majority of the respondents are above age 31.

- ☞ As revealed by the study, majority of the employees are Degree holders'.
- ☞ As revealed by the study, majority of the employees have enough work experience.

4.2 CONCLUSION

From the summary of major findings the researchers reach the following conclusions

- ☞ The researchers conclude that loan is beneficial both to the bank as well as to the borrower, banks have to give a peculiar focus on it.
- ☞ The current loan advancing procedure of United bank are takes minimum time, thus it encourage customers to make loan rather it is causing customer to leave the bank and going to other banks
- ☞ The main participants of the branch in loan customers are domestic trade and service. The other sectors comprise and insignificant portion of the loan
- ☞ Most of the loan clients of the United bank S.C are Diploma holders & above that is good to understand the banking system
- ☞ To grant a loan, applicants for loan to present a written application, trade license of memorandum of association and registration certificate if the applicant is a cooperative or association. In addition, interview the applicants various questions to get highlight about the borrower.
- ☞ According to the respondents the customers are staying with the bank as a borrower for more than five years
- ☞ Practically the concerned bank staffs used to visit the business according to the manual.
- ☞ The respondent replied that the time taken for granting a loan is a bit lengthy.
- ☞ In our understanding the reason for length is not only the procedure, but also the borrower, some of the borrowers did not provide the appropriate documents at a right time

☞ Most of the clients are neither satisfied nor dissatisfied with the loan processing procedure, but they exist till now because they are satisfied with the staff members of the loan office in handing them.

☞ Therefore, the bank has to give special attention for the alleviation of encountered problems in lending.

4.3 Recommendations

From the conclusion of the study, the student researchers draw the following recommendations

☞ On the basis of the assessment, United bank S.C should take the following measures to improve its credit activity and to maintain its customer from shifting to other banks.

☞ The bank should decide on lending of money to customers as much as possible with a maximum of five (5) days after receiving and application and necessary documents.

☞ United bank S.C should review its loan advancing procedures and made further investigation why borrowers are shift to other banks.

☞ The bank should communicate openly with the customers and give suggestion with respect to the banking procedures and practice, so they can able to help in facilitating the procedure by giving the necessary information and documents on time.

☞ In order to improve the quality of project appraised reports and to provide sufficient technical instance of borrowers, the bank should allocate sufficient budget or find funds to upgrade the knowledge and skill of its staff.

☞ In order to select potential and risk taking applicants the bank should have adequate applicant screening criteria such as credit discipline or repayment history current capacity to repay loan personnel behavior and business experience should be considered at the time of applicant screening.

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WWW.United Bank. Com

QUESTIONNAIRE- I

THIS QUESTIONNAIRE PREPARED FOR CLIENTS/ CUSTOMERS OF

UNITED BANK S.C

The questionnaires will try to identity some problems that will be improved for loan advancing procedure of United bank Share Company. So that, your response kept very confidential and you don't required to mention you name

And finally thank you in advance for your cooperation

1. Sex

   A. male B. female

2. Educational back ground
   A. TVET graduates
   B. Diploma
   C. Degree
   D. Above Degree
3. Annual income level
   A. < 100,000
   B. 100,000 – 500,000
   C. 500,000 – 1,000,000
   D. > 1,000,000
4. How long did you stay as a borrower in United bank s.co
   a. Below 2 year
   b. 2-5 year
   c. Above 5 years
5. How long did you take to permit the loan your request?
   A. below 5 days
   B. 5-10 days
   C. 15-30days
   D. Above 30 day

6. Did you get loan service from other bank before?
   a. Yes
   b. No
7. If your answer for question no5 is yes how did you evaluate the advancing procedure as compared to other banks?
   a. Takes long period
   b. Takes short period
   c. Takes similar
   d. Takes medium period
8. Are you satisfied with the existing loan advancing procedure and practice?
   a. Yes
   b. No
   c. Different
9. Did you ever intended to shift from United bank to other bank?
   a. Yes
   b. No
   c. Different

QUESTIONNAIRE - II

The purpose of this question is to collect primary data on the loan practice & procedure of United bank S.C

This question is answered by only the employees of loan sector of United bank S.C

1. Sex

   Male ☐ Female ☐

2. Age

   25-30 ☐ 30-40 ☐ above 40 ☐

3. Education

   Diploma ☐ 1st Degree ☐

   Above Degree ☐

4. Working experience in the organization

   Below 1 year ☐

   1-5 years ☐

   Above 5 years ☐

5. Do you have an experience regarding the loan practice and procedure industry

   Yes ☐

   No ☐

6. Problem that face the customer?

   Insufficient collateral ☐

   Default repayment ☐

   None insured collateral ☐

   No problem ☐

Declaration

We Dawude Abidre, & Zakir Temam declare that, this paper prepared for the partial fulfillment of the requirements for BA Degree in Accounting entitled "assessment of loan practice and procedure : the case of United bank" is prepared with our own effort. We have made it with the close advice and guidance of our advisor.

Dawude Abidre Signature ________________ Date ___________

Zakir Temam Signature ________________ Date ___________

Advisor declaration

This paper has been submitted for examination with my approval as the university college advisor.

MR DIRARE ABRAHA Signature ________________ Date ___________