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Credit Risk Management of Savings and Loans Companies in Ghana

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Abstract:
Credit risk has shown to be one of the main forms of risks financial institutions are exposed to due to the very nature of their business operations. The objectives of this study were to identify the credit management practices employed by the banks in its credit management, to evaluate the effect of the bank's credit risk management practices on its loans performance and finally to assess the bank's credit risk management policies as against Basel II Accord credit risk management policy. The target population for this study comprised of all the branches of a savings and loans company called Multi-credit. All employees within the credit department of the financial institution constituted the study population. Questionnaire instrument was used as the study's data collection instrument. Evidently, it was revealed that the studied bank had in place credit administration units whose main responsibilities included preparing of credit documents most especially loans agreement. Equally, it became evident that their credit unit were also required to obtain current financial information about their borrower's and likewise ensure that their credit document was up to date. Again, it became evident that the studied bank used accounting-based method and subjective analyses to quantify their organization risk exposures. The study also found that the bank's credit risk management policies were in line with the provision in the Basel II Accord even though further improvement could be made.

Keywords: Credit risk, Basel ii accord, loans performance

1. Introductions

According to Kliestik and Cug (2015) credit risk constitutes the loss probability that a financial institution encounters when a borrower fails to meet his contractual obligation. Largely, financial institutions are the most susceptible when it comes credit risk (Spuchľaková & Cúg, 2014) since it constitutes a significant portion of their operational losses (Klieštik & Cúg, 2015). As indicated by Bartošová (2005)credit risk does not only becomes imminent during loans approval, it equally occurs during other banking transactions such as when trading on the capital market, dealing with foreign exchanges, futures, swaps, bonds, options, stocks, etc. Clearly, this suggests that credit risk constitutes a significant portion of banking activities.

Specifically, how the Ghanaian financial institutions operate make their operation more vulnerable to credit risk issues. For instance, for five consecutive years (i.e. 2012-2016) loans and advances have remained as the main source of the industry's operating assets (PwC, 2017). Moreover, most of these financial institutions rely on customers' deposits before they are able to advance credits to their customers for income. For example, recent figures by the regulator confirmed this claim as their statistics revealed that banks total deposits funded 62.5 percent of the industry's assets in December 2017 compared with 63.6 percent in December 2016 (Bank of Ghana, 2018). The consequential effect of this structural arrangement is that banks will have to pay significant amount of interest to their depositors before they acquire their savings. As rightly indicated in the recent Ghana Banking Survey report, interest expense on deposits constituted 75% of total interest expenses of the banking industry (PwC, 2017). This means that Ghanaian financial institutions may require stringent and effective credit risk management practices since they acquire most of their funds from customers' deposits and likewise rely on loans and advances as their major source of income.

Notwithstanding the need for stringent credit risk management practices recent happenings in the industry suggest that the industry non-performing loans still keeps on rising. A clear example is, with a Non-Performing Loan (NPL) ratio of 17.3 percent in December 2016, it increased significantly to 22.7 percent in December 2017 (Bank of Ghana, 2018). Conspicuously, the real culprit of this happening has been the local owned Ghanaian companies. Figures provided by the Bank of Ghana suggest that local businesses accounted for 80.6 percent of total NPLs in December 2017 whereas their foreign counterparts accounted 7.9 percent within the same year (Bank of Ghana, 2018).Moreover, as most financial institutions channel large part of their products and services towards giving out loans, it has become important to assess the credit risk management to ascertain how effective they are in mitigating their credit decisions against all forms of credit risk factors.

Credits and advances remain one of the main sources of revenue to both financial and non-financial institutions in general (Amamuo-Tawiah & Asante, 2018). For most banking institutions in Ghana, loans and advances constitute significant portions of the institutions credit risk even though there may be other potential avenues of credit risk within their business operations namely; banking book and in the trading book. Evidently, risks and uncertainties form an integral part of banking operation, due to the very nature of their operations (Amamuo-Tawiah & Asante, 2018). Interestingly, risk by their very nature affects both approved and unapproved credit decisions (Bekhet & Eletter, 2014). For instance, when a credit manager approves a loan, he/she risks the possibility that the client may be unable to fulfil his promise by paying off the loan at the agreed schedule. On the other instance, where the loan facility is denied, there is a risk of losing out of a potentially profitable customer to a competitor or the risk of opportunity cost (Bekhet & Eletter, 2014). This means that credit risk decisions are very critical to the survival of financial institutions because of the huge consequences attached to loan default as well as the opportunity cost attached to loan denial (Lahsasna, Ainon, & Wah, 2010).

Admittedly, the issue of credit risk has become a topical issue in policy debates due to their impact they have on banks operations, nonetheless, as posited by Apanga, Appiah and Arthur (2016)there seems to be relatively scant research on this topic mostly within developing countries. Although some earlier studies have sought to address this gap in the literature by measuring credit risk management within developing economies, for instance, the works of Afriyie Akotey (2012), Apanga et al. (2016), Boahene, Dasah and Agyei (2012) and Amamuo-Tawiah and Asante (2018).
Nevertheless, most of these prior studies either concentrated on either commercial banks or microfinance. It appears there is no emphasis on saving and loans institutions. It is for this reason why the research pursued this study. The study uses Multi-Credit saving and loans as a case study. The main objectives of the study are to identify the credit management practices used by savings and loan companies, to evaluate the effect of the bank's credit risk management practices on its loans performance and to assess the bank's credit risk management policies as against Basel II Accord credit risk management policy.

2. Literature Review

According to Basel Committee (2001) credit risk can be defined as the probability that a borrower or obligor will fail to meet its obligations in unison to the agreed contractural arrangements. Hence, to them credit management can be viewed as the processes adopted or used by a bank's management to maximise a bank's risk-adjusted rate of return by ensuring that its organizations credit risk exposure are within an acceptable limits or levels. This concept was supported by Klieštik and Cúg (2015) but Brown and Moles (2014) holds a contrary opinion.To them the process ought to have a standard risk management framework consisting of risk identification, risk evaluation and risk management into its implementation

2.1. Theoretical Framework

According to Amamuo-Tawiah and Asante (2018) there are numerous theories namely; modern portfolio theory, arbitrage pricing theory, information theory, asset to asset-based theory and the 5Cs used for mitigating credit risks within an organization credit administration. However, for the purpose of this study, the 5Cs will be employed as the theoretical framework of this study. According to Peprah et al (2017) andOwusu-Dankwa and Gyamfi (2013), the 5c's model as one of the models commonly employed by most banks in Ghana to determine the creditworthiness of its borrowers
According to Wachira (2017), the dimensions of 5Cs areCondition, Character, Capacity, Collateral, and Capital. Capacity means the ability of borrowers to repay his/her loan (Sharm & Kalra, 2015). Notable, indicators under this include financial statement (i.e. cash flow statement, inventory levels, and total asset), performance indicators such as; net profit margin, debt service coverage ratio and quick ratio (Kabir, Jaham, Chisty, & Hasin, 2010). Character is a subjective evaluation of the personality of the borrower by the lending firm. This assessment is performed to check the integrity and trustworthy of the borrower (Abbadi & Karsh, 2013). Hence, here their previous borrowing records are investigated to ascertain their honesty in previous loan repayments and also to know whether their payment was informed by compulsion or not (Peprah, et al., 2017).

The subsequent dimension is capital. Assessment of a borrower's capital is very important in the credit decision making process since it helps a creditor to determine a borrowers' risk to an unexpected loss anticipated to occur in the prospect's business industry (Peprah, et al., 2017). It is argued that firms with high equity levels have more capability to settle their expenses (Strischek, 2000) hence, capital signals the direction of ownership in a business entity and equally shows signs of borrower commitment and confidence in his own business as depicted by parameters such as; equity ratio, debt to equity ratio +(Noradiva & Azlina, 2016). However, when it comes to the assessment of capital, parameters such as debt relative to equity and its profitability ratios are frequently used to assess a business capital or individual capital (Sumon & Shilpi, 2007).

The next dimension is collateral and it is viewed as the alternative source for the loan repayment should there be a default (Wilknson, 2013). Hence, it refers to the amount of assets the applicant has available for use in securing the credit (Sumon & Shilpi, 2007). Mostly, it is assumed that the higher the value of the pledged asset, the greater the chance that a borrower is likely to pay his obligations. Nonetheless, it is asserted that for a bank to enjoy maximum value from collateralized security, it has to ensure that the collateral provided by the borrower has proper documentation, deemed to be well marketable and valuable enough to cover the loan principal as well as interest (Sharm & Kalra, 2015).

The last dimension under the 5Cs is the condition dimension. Under this dimension, the creditor usually assesses the purpose of the loan, the industry, economic and political environment within which the borrower's business operates from. This is done to ascertain the obligor's susceptibility in pursuant of any unforeseeable changes likely to transpire in these external environments (Moti, Masinde, Mugenda, & Sindani, 2012).

Different researchers rank these dimensions differently depending on studies conducted. Strischek (2000) and Amamuo-Tawiah and Asante (2018) ranked character and Capacity as the most important. To the researchers, analyzing credit decisions in this pattern will lessen the burden of non-performing loans. Again, these two dimensions represent the most basic requirements for extending credit to an applicant and equally indicates whether an obligor will pay his request or not at the due date. Abbadi and Karsh (2013) however ranked these dimensions as Collateral, Capacity, Capital, Character, and Condition. Generally, the rank for these dimensions according to study are Character, Capacity, Capital, Condition, and Collateral.

2.1.1. Credit Management Practices Used in Credit Management

According to Basel Committee (2001) an organization credit risk management practices ought to address these four thematic areas: creating a suitable credit risk environment; operating under a sound credit approval processes; maintaining a suitable credit administration, measurement and monitoring processess; and ensuring adequate controls over credit risk. Although their report indicate that adherence to these credit management practices may vary from one organization to the other largely because the industry a particular banking institution may operate from may be different from one another, nonetheless, they maintains that an organization credit management practices ought to reinforce these four thematic areas in its implementation.

The first thematic area that has to do with creating a suitable credit risk environment argues that a bank's board of directors should have the sole obligation in approving and evaluating its institution credit risk strategy and credit risk policies (Basel Committee , 2001). It also states that, the strategy ought to depict the bank's tolerance for risk and the level of profitability the bank anticipates to realize for exposing itself to these forms of credit risks. This means that an organization credit risk management first begins from the drafting and developing of credit risk policies which is to guide a firm's credit administration processes (Dowel, Bartlett, Chaplin, Kelliher, & O'Brien, 2008; Santomero & Babbel, 1997). To Brown and Moles (2014) credit policy is a policy document which entails the procedure and processes that control an institution credit functioning, including its credit terms, processes required for opening new accounts, processing of credit applications, methods and techniques for credit investigation, the creation and dissemination of credit reports, setting lines of credit, and all other factors that are involved in the credit management process.

However, after the creation and approval of the credit management policy by a bank's board of directors', it is expected that the bank's top management should have all the required abilities to put into practice the credit risk strategy approved by its board of directors and equally develop policies and procedures that will enable their organization identify, measure, monitor and control all the vairous forms of the credit risk causals (Basel Committee , 2001). Hence, with this credit risk management practice, it seeks to enable banks to identify the possible risks that are associated with its customer's segment vis-á-vis its corporate or individual clients (Amamuo-Tawiah &Asante, 2018). Also, after identifying the possible risk factors, credit officers within a bank are expected to estimate the consequences of these risk factor, monitor the activities that are exposed to these forms of risks and put in place the necessary control measures that are capable in preventing or reducing the undesirable effects on their operations (Richard, Chijoriga, Kaijage, Peterson, & Bohman, 2008).

Additionally, with the practice of ensuring that banks operate within a sound credit approval processes, Basel Committee (2001) argues that a financial institution should operate its credit decisions in a well-defined credit-approval criteria. Hence, these criteria ought to have in it a clear indication of the bank's target market, a comprehensive understanding of the borrower or counterparty, as well as the purpose, structure of the credit, and its source of repayment (Basel Committee , 2001).

Also, with the practice of ensuring a suitable credit administration assessment and monitoring processes, it is asserted that a bank should develop and employ an internal risk rating system in the management of its credit risk (Basel Committee , 2001). Empirically reviewing a financing institutions credit processes have been found to be very critical to banks' loan delinquency and default rate. For instance, Lagat, Mugo and Otuya (2013) posited that having effective assessment and monitoring practices in place do not only help in detecting poorly underwritten credits, it also helps in preventing weak credits from being granted, since credit officers are likely to be more diligent if they know that their work will be subject to review by their superiors or external bodies. Lagat et al. (2013) went on further to established that the commonest phenomenon found among most of the troubled banks in the early 1990s in Kenya was the banks' inability to monitor its borrowers as well as the collateral values assigned by their credit department. Again, most of the banks failed to obtain periodic financial information from borrowers or real estate appraisals in order to evaluate the quality of loans on their books and the adequacy of collateral to compensate for the possible default (Lagat, et al., 2013).

With the monitoring of credit processes, its purpose is to enable organizations address the moral hazards associated with its credit risk (Derban, Binner, & Mullineux, 2005). The main objective of this credit risk management practice is to enable

banks assess their credit risk exposures under stressful conditions. Mwisho (2001) affirmed the relevance of monitoing in credit risk management as he posits that since business environment continuous to alter, reviewing of the borrower's reports together with on-site helps firms to ascertain whether the changing environmental conditions will affect the borrower ability to fulfil his/her obligations or not. Nevertheless, there are various kinds of tools that are used by banks to monitor their loans record; notable among them are transaction account monitoring, relationship management, regular reporting requirements, loan covenants, loan stress testing as well as internal credit rating and scoring (Idris & Nayan, 2016).

The last credit risk management practice identified by the Basel Committee (2001) is the act of instituting adequate control measures over the possible credit risks. With this practice, the committee asserts that a bank should have in place an independent mechanism that will enable its organization to continuously evaluate its credit risk management processes and subsequently communicate the reviewed information to the firms' board of directors and senior management. Also, under this practice, banks are encouraged to have in place early remedial measures that can address deteriorating credits as well as manage problematic credits (Basel Committee , 2001). However, when it comes to tools that are employed to address challenging credits, methods such as; guarantees, derivatives, collateral; credit rationing, loan securitization and loan syndication have been identified as the most commonest control measures used to control the potential credit losses (Amamuo-Tawiah & Asante, 2018).

2.1.2. Credit Risk Management Policies

As indicated by Brown and Moles (2014) and the Basel Committee (2001) no two financial institutions will have the same set of credit risk management policies largely due to the industry they may operate from or the complexity of their credit activities. Nonetheless, the the Basel Committee (2001) maintains that an organization credit management practices ought to reinforce these key thematic areas in its implementation. The Basel Accord has gone through historical changes. It started with Basel I and later was reinforced with tighter rules to create Basel II. Basel II has three mutually reinforcing pillars (Basel Committee , 2001).

Pillar 1 constitutes the Minimum Capital Requirements, which mandates financial institutions to have adequate capital for their risks factors such as; credit risk, operational risk and market risk (Basel Committee on Banking Supervision, 2006). Pillar 2 is about the Supervisory Review Process. Pillar 3 seeks to improve the market discipline through an enhanced disclosure by banks (Hibbeln, 2010).

Pillar 1 places emphasis on the minimum capital banks are expected to hold, it still maintained the previous minimum capital adequacy level of 8 per cent stipulated in the Basel I while Tier 2 capital is limited to 100% of Tier 1 capital (equity) (Gottschalk & Griffith-Jones, 2006). This means that banks are required to hold 8% of their risk-weighted assets in the form of capital (Cumming & Nel, 2005). According to Cumming and Nel (200) the key alteration made to the Basel I Accord under this perspective is the new definition of risk-weighted assets and in the way, banks are expected to measure and manage risk. In the case of credit risk, the Basel II offers three approaches: a standardized approach, a foundation internal rating based (IRB) approach, and an advanced internal ratings-based approach (Basel Committee On Banking Supervision, 2003; Gottschalk & Griffith-Jones, 2006).

The standardized approach sets the level of capital requirements according to preordained supervisory categories, which are based on external credit assessments (Cumming & Nel, 2005). For each exposure, risk-weights are to be determined by the regulator according to the nature and characteristics of the exposure. The risk weights are fixed and are largely dependent on external credit assessments. There are five risk weightings, 0%, 20%, 50%, 100% and 150%(Basel Committee on Banking Supervision, 2006).Nevertheless, when it comes to corporate, sovereigns and banks, unrated exposures will usually be given a risk weighting of 100%, which translates into a capital requirement of 8% (Cumming & Nel, 2005). Hence, regulators may decide to adjust the risk-weights depending on their previous experience with that type of exposure. The standardized approach also allows for credit risk controls, which will minimize the capital requirements depending on the kind and magnitude of the collateral instrument(Basel Committee on Banking Supervision, 2006).

From the position of Cumming and Nel (2005) the main difference in the Basel II Accord is the inclusion of IRB approach, where much emphasis is placed on the banks own internal assessments of risk. The Committee regards it as the most desirable form of regulatory capital, as it is more reflective to the exact form of risk one is exposed to. There are thus significant incentives in terms of lower capital requirements for banks to move from the standardized approach to the IRB approach (Cumming & Nel, 2005).

Moreover, in terms of minimum capital requirement, the Accord reckons that the key element of capital on which the main emphasis should be placed is the equity capital and the disclosed reserves (Basel Committee on Banking Supervision, 2006). Again, it is required that banks should have at least 50% of its capital base consisting of a core element made of equity capital and published reserves from post-tax retained earnings (Tier 1). The other elements of capital (supplementary capital) will be admitted into Tier 2 limited to 100% of Tier 1 (Basel Committee on Banking Supervision, 2006).

However, when it comes to provisions made on general loan-loss reserves it is required that where provisions made do not reflect a known deterioration in the valuation of particular assets, these reserves qualify for inclusion in Tier 2 capital. Conversely, where provisions or reserves have been created against identified losses or in respect of an identified deterioration in the value of any asset, such provisions or reserves should therefore not be included in the capital base(Basel Committee on Banking Supervision, 2006). Hence, the provisions made could only be added to a bank's capital base only on the premise that provisions made are not in anticipation of an established deterioration value of a specific asset. Hence, the provision 49(vi) of the Basel 2 even requires regulators to ensure that general provisions or

general loan-loss reserves made by banks can only be included in their capital when they are not intended to deal with the deterioration of particular assets, whether individual or grouped (Basel Committee on Banking Supervision, 2006).

The second pillar is supervisory review processes which place much emphasis on issues such as; risk management guidance, supervisory transparency and accountability, enhanced cross-border communication and cooperation, and securitization. Again, the Basel Committee on Banking Supervision (2006), gives much attention on how a bank's top management has to take ultimate responsibility in ensuring that the bank has adequate capital to support its risks beyond the core minimum requirements. Accordingly, it requires bank management to come out with an internal capital assessment process as well as set capital targets that truly reflect the bank's risk profile and control environment.

Notably, the committee has come out with four key principles under the Pillar 2 of the Accord (i.e. supervisory review) to guide banking institution operations. With the first principle, it stipulates that financial institutions ought to have in place mechanisms for determining their overall capital adequacy in reference to their own risk profile as well as have strategies capable of maintaining their capital levels (Basel Committee on Banking Supervision, 2006). A bank management should ensure that their organization has sufficient capital to support its risks. Likewise, it is the responsibility of the top management to ensure that it understands the nature and level of risk being taken by the bank (Basel Committee on Banking Supervision, 2006). The board of directors of a bank are required to set their organization owns risk tolerance level (Basel Committee on Banking Supervision, 2006). The board is equally expected to ensure that its management creates the necessary framework capable of determining the various risks their operations may be susceptible to; develops a system to relate risk to the bank's capital level; and put in places mechanisms for monitoring compliance with internal policies. It is likewise expected of the board to adopt and support strong internal controls and written policies and procedures and ensures that management effectively communicates these throughout the organization (Basel Committee on Banking Supervision, 2006).With particular reference to the assessment of credit risk, this pillar stipulates that financial institutions ought to have methodologies that will enable them to evaluate the credit risk associated to individual borrowers or counterparties as well as at the portfolio level. However, for the more advanced banks which is outside the scope of this study the credit risk assessment ought to address four areas namely; risk rating systems, portfolio analysis/aggregation, securitization/complex credit derivatives, and large exposures and risk concentrations (Basel Committee on Banking Supervision, 2006).

The second principle under this pillar requires that supervisors should review and evaluate banks' internal capital adequacy assessments and strategies, as well as their ability to monitor and ensure their compliance with regulatory capital ratios (Basel Committee on Banking Supervision, 2006). Hence, with this principle, the supervisory authorities in this context the Bank of Ghana is required to on continuous basis, review the processes used by a bank to assess its capital adequacy, risk position, resulting capital levels, and quality of capital held.

According to Basel Committee on Banking Supervision (2006) in order for the supervisory bodies to be able to properly review the banks operational activities namely; internal methodologies, credit risk mitigation techniques and asset securitizations banks are required to meet a number of requirements, including risk management standards and disclosures. Hence, banks will be required to disclose features of their internal methodologies used in calculating minimum capital requirements to the regulators.

The third Principle under Pillar 2 mandates supervisory bodies to ensure that banks work with an above the minimum regulatory capital ratios and also demand bank to hold capital in excess of the minimum. Therefore, it is required that banks have additional or supplementary buffers to address possible uncertainties likely to affect its operations. Since, it is found to be mostly costly for banks to raise additional capital, especially if this needs to be done quickly or at a time when market conditions are unfavorable, having additional buffers at their disposal becomes very imperative for any bank to comply with (Basel Committee on Banking Supervision, 2006).

The fourth principle mandates regulators to intervene at a very early stage to prevent capital from falling below the minimum levels needed to support the risk characteristics of a particular bank and should require rapid remedial action if capital is not maintained or restored (Basel Committee on Banking Supervision, 2006).

The Third Pillar is, enhanced disclosure. The purpose of Pillar 3 is to complement the minimum capital requirements of Pillar 1 and the supervisory review process of Pillar 2 (Basel Committee on Banking Supervision, 2006). Hence, the aim of this pillar is to have in place a set of disclosure requirements which will enable market participants to assess key pieces of information on the scope of application, capital, risk exposures, risk assessment processes, and the capital adequacies of the banking institutions.

Also, under this pillar per the safety and soundness grounds principles, supervisors could require banks to disclose certain kinds of information to aid them in their decisions (Basel Committee on Banking Supervision, 2006). Hence, supervisors could use tools ranging from "moral persuasion" through discourse with the bank's management (in order to change the latter's behaviour), to reprimands or use financial penalties to require banks to provide information in their regulatory reports (Deutsche Bundesbank, 2001).

More so, when it comes to the publication of information, the Pillar makes it permissible for a bank management to use its own discretion to determine the suitable channel and location of the disclosure (Basel Committee on Banking Supervision, 2006). Hence, it is stated that in situations where the disclosures are made under accounting requirements or are made to satisfy listing requirements promulgated by securities regulators, banks may depend on them to fulfill the applicable Pillar 3 expectations (Basel Committee on Banking Supervision, 2006). In these situations, banks should explain material differences between the accounting or other disclosure and the supervisory basis of disclosure.

However, the Basel Committee on Banking Supervision (2006) maintains that for the kinds of disclosures that may not be by compulsion under the accounting or other regulatory requirements, management may choose to provide the Pillar 3 information through other means (such as on a publicly accessible internet website or in public regulatory reports filed

with bank supervisors), consistent with requirements of national supervisory authorities.Again, banks are required to ensure that all the disclosures made in Pillar 3 ought to be on a semi-annual basis, subject to the following exceptions (Basel Committee on Banking Supervision, 2006). Qualitative disclosures that provide a general summary of a bank's risk management objectives and policies, reporting system and definitions may be published on an annual basis. Also, in realizing the increased risk sensitivity of the framework and the general trend towards more frequent reporting in capital markets, large internationally active banks and other significant banks (and their significant bank subsidiaries) must disclose their Tier 1 and total capital adequacy ratios, and their components, on a quarterly basis. Furthermore, if information on risk exposure or other items is prone to rapid changes, then banks should also disclose information on a quarterly basis. In all cases, banks should publish material information as soon as practicable and not later than deadlines set by like requirements in national laws (Basel Committee on Banking Supervision, 2006).

As thoroughly, indicated in the three pillars of Basel II Accord namely, minimum capital requirement, supervisory review process and enhanced disclosure, both financial institutions and regulatory bodies across the globe are to ensure that their operations and their sectors activities are informed on these pillars since its compliance is expected to enable banks curb the incessant risk factors associated with their operations. Accordingly, on this premise this study seeks to access how the credit risk management of Multi-Credit Savings and Loans Limited comply with these pillars.

2.2. Empirical Review

The study of Gakure et al. (2012) sought to measure the impact of credit risk administration skills on the performance of bad loans given out by some savings and cooperative unions in Kenya. Their study concluded that credit risk management techniques have direct impact on the surveyed savings and cooperative unions unsecured loans. Admittedly, the study of Gakure et al. (2012) work did looked at credit risk management techniques employed by the understudied savings and cooperative unions; however, its purpose was not to compare the credit risk management practices of the studied savings and cooperative unions to that of the Basel II Accord. Bayyoud and Sayyad (2015) sought to ascertain the association between credit risk management practices and firm's profitability in both Palestinian investment and commercial banks. Evidently, findings from their study established that the credit management techniques a bank use impact positively on its financial performance.

Afriyie and Akotey (2012) examined the impact of credit risk management on the profitability of rural and community banks in the Brong-Ahafo Region of Ghana. The findings indicated a statistically significant relationship between non-performing loans and rural banks' profitability revealing that, there are higher loan losses. The study further suggested that, rural banks do not have sound and effective credit risk management practices.Li and Zou (2014)conducted a similar study which focused on measuring the association that existed between credit risk management and banks profitability in Europe. The result was similar to Afriyie and Akotey (2012) and Boahene et al. Even though Boahene et al found that banks had high profitability rate despite the incidence of credit risk. This was attributed toprohibitive lending/interest rates, fees and commission (non- interest income)

Adjirackor et al (2016), assessed the credit risk management strategies of Societe General Ghana. The results from the study showed that SG-SSB had a clear, written guideline on credit risk management with the board of directors having an oversight responsibility for implementation. Amamuo-Tawiah and Asante (2018) sought to investigate the credit risk management of microfinance institutions in Ghana. Findings from the study revealed that the key credit risk sources were corporate, individual and SMEs commercial loans. Also, it was established that most of these microfinance institutions relied mostly on accounting based method and subjective analyses to quantify their organization risk exposures.

To sum up, the reviews of the enumerated studies clearly show that most of the prior studies have largely sought to establish the relationship that exist between a bank's credit risk management practices and their profitability with no inference to how the banks credit risk management practices are compareble to other notable credit risk management practices particularly that of the Basel I, II, and III Accord. Again, these study have either concrentrated on commerial banks and microfinance companies and have ignored saving and loans company. This study seeeks to fill that gap.

3. Methodology

3.1. Research Design, Population and Sample

According to Saunders, Lewis and Thornhill (2007) whenever one seeks to undertake an inquiry within the domain of management and social sciences, then the selection of a particular research design ought to emanate from a researcher's predisposition about the nature of the social world, axiom about the acquisition of knowledge and approaches to use to acquire knowledge. These assumptions or paradigms are important, since a researcher's chosen research design should be appropriate for the context matching its underlying assumptions.

This study adopts the positivists' paradigm because it provides the best medium to achieve its intended objective. Accordingly, this study employed a quantitative research design. Bryman and Bell (2007) posited that quantitative research deals with the collection of data and ascertaining a relationship between theory and research findings. Positivists further assert that quantitative method ensures objectivity, due to the distance maintained between the interviewer and the interviewee (McGovern, 2009). Accordingly, as this study seeks to follow positivist worldview, quantitative methods are best suited.

The target population for this study comprised of all Multi Credit Savings and Loans branches within Kumasi Metropolis. Therefore, all employees within the credit department of the bank constituted the study population.

A sample is a small subset of a population and also said to be representative of the total population (Quinlan, 2011). Sampling can be a vital procedure when analyzing data as it is a valid way of collecting data without using the entire

population, in particular when both time and budget constraints exist for the researcher. Moreover, since all employees within the credit department of the bank formed part of the targeted population for the study, a simple random sampling was employed. Subsequently, the study employed the Krejcie and Morgan (1970) sampling table to determine the sample size for the 100 targeted population size. Based on the table, the sample size for this study was 80 on a 95 percent confidence level and 5 percent error of margin.

3.2. Data Collection Instrument and Data Collection Procedures

According to Bryman (2012) a research instrument is simply a technique used for collecting data. It can involve a specific instrument, such as a self-completion questionnaire or a structured interview schedule, or participant observation. Yin (2009) argues that the type of research questions being asked informs one on the specific data collection instrument to use. For example, Yin (2009) held that when phrases such as 'who', 'what', 'how much', and 'to what extent' questions are used, the appropriate tool to use is questionnaire instruments. In this study, the nature of the research questions investigated warrants that questionnaire survey was seen to be appropriate for this study. Questionnaires are popular as they allow the collection of a large amount of data in a highly economical way (Saunders, et al., 2007).Hungler (1999) underscores that questionnaire equally reduce bias or faults which could be caused by the researcher's attitude and preferences and besides offer an objective view on the research question.

The study relied on primary data source. The primary data for this study were obtained from the study sample. The primary data enabled the researcher to compare and contrast information to see whether data gathered affirm or disaffirm the findings of previous studies.

The questionnaires were sent out to all the credit officers within the sampled units. The questionnaire was the main instrument used in the study since it required less skill for its administration. The administration of the questionnaire was done by the researcher through personal visits to the various offices of the bank. Questionnaires were given to respondents three days prior to the collection so that they could get ample time to go through and respond.

3.3. Reliability and Validity of the Measuring Instrument

Saunders et al (2009)define reliability as the extent to which data collection technique(s) used in a study yields consistent findings and also ensure that other similar observations made or conclusions reached by other researchers are likewise replicated. Validity is the degree to which an instrument measures what it is intended to measure and whether it measures the concept accurately. To ensure the reliability and validity of the measuring instrument, a pilot test was conducted to check and ensure that all ambiguities identified were modified before the final questionnaire was used to collect the study data. Hence, any indications of ambiguities realized were modified to make them straight forward and more meaningful. The pre-test was carried out at Tanoso branch of bank. Equally, what other previous studies used in measuring the key construct in this study were likewise review before the questionnaire were eventually developed.

3.4. Data analysis

Since this study is largely dealing with primary data, the study relied on IBM Statistical Package for Social Sciences (SPSS) version 20.0 to analyze its field data. Equally the data was analyzed on the basis of descriptive statistics (i.e. Frequency, Mean, Standard deviation and Percentages). Specifically, the first objective of the study sought to identify the credit management practices employed by Multi-Credit Savings in its credit management. Accordingly, data collected on this item were computed on the basis of frequencies and percentages to determine the key credit management practices practiced at the bank.

Also, the next objective sought to examine the effect of the bank's credit risk management practices on its loan's performance. On this objective, the study used the relationship analysis thus, regression analysis to establish the strength of relationship that existed between the bank's credit risk management practices and its loans performance. More so, with regards to the third objective which sought to assess how the bank's credit risk management policies fared as against that of the Basel II Accord credit risk management policy, content analysis was used to establish the similarity and the dissimilarity between the understand bank's credit risk management policies and that of the Basel II Accord credit risk management policy.

4. Results and Analysis

4.1. Response Rate

The study distributed 80 questionnaires to the selected employees of Multi-Credit Savings and Loans Limited who worked within their credit departments. From the questionnaires distributed, a total of 76 completed questionnaires were returned to the researcher. Nonetheless out of these received questionnaires, 69 were usable for analysis, giving an effective response rate of 86.11%. This response rate is considered to be adequate since per the estimation given by Baruch and Holtom (2008), the average response rate for surveys in management and behavioural sciences ought to be around 52.7%.

4.2. Credit Management Practices of Multi-Credit Savings

This section provides results on the credit risk management practices of the understudied bank.

4.2.1. Credit Administration Unit

In an attempt to identify the studied organization credit risk management practices, the study first sought to establish whether the institution under investigation had a separate unit or department tasked with the responsibility of handling its institution's credit administration processes. Accordingly, respondents were asked to indicate their level of agreement as to whether their organization had a separate unit charged with the responsibility to handle the firm's credit administration decisions.
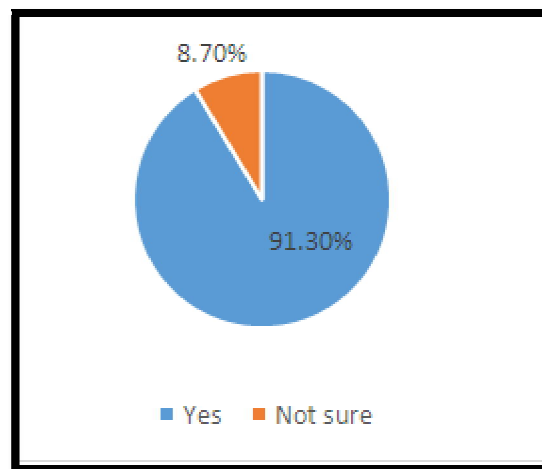

Figure 1: Existence of Credit Administration Unit
Source: Author's Fieldwork, 2019

Evidently, results from Figure 1 show that more than half of the respondents responded in the affirmative. Thus, 91.3% of the respondents agreed on this. In contrast, only 8.7% could not indicate their level of agreement and disagreement as to whether a credit department unit existed at their organization. This suggests that the studied organization had in place a department charged with the responsibility to undertake all the credit administrations.

Interestingly, the high level of existence of credit administration unit within the understudied bank suggest that their credit risk management practice was in tandem with the recommendation made by Basel (1999) and IAIS (2003) that financial institutions should have effective organizational structure (i.e. credit department) that will be responsible for the organization's credit administration processes.

4.2.2. Functions of the Credit Administration Unit

After confirming that the understudied bank had a credit administration department, this item sought to identify from the perspective of the respondents the roles the credit department played in their organization's credit administration. Accordingly, the respondents' responses on the various functions their organization credit administration unit performed have been presented in Table 1.

Functions of the Credit Department	Frequency	Percent
Prepare various documents such as loan agreements	57	82.6
Update the bank's credit file documents	6	8.7
Obtain current financial information about the bank's debtors	3	4.3
Send renewal notices to debtors	3	4.3
Total	69	100.0

Table 1: Functions of the Studied Bank Credit Administration Department
Source: Author's Fieldwork, 2019

Results from Table 1 show that the key function performed by the organization credit department was the preparation of loan agreement. The second function identified by the respondents was the task of updating the bank's credit file documents. Apparently, on this item, 8.7% of the respondents identified it as one of the responsibilities the bank's credit department performed. Interestingly, other key practices such as obtaining of current financial information about the bank's debtors as well as sending of renewal notices to debtors were found to be least performed functions by the credit department did.

This results is in contrary to Lagat et al. (2013) and Aremu et al (2010). Lagat et al (2013)concluded that the commonest trend found among most of the troubled banks in the early 1990s in Kenya was the banks' inability to monitor its borrowers. Again, most of the banks failed to obtain periodic financial information in order to evaluate the quality of loans on their books and the adequacy of collateral to compensate for the possible default. Likewise, to Aremu et al. (2010) loan monitoring is one of the key functions of credit department since troubled loans can easily be detected and addressed. On this premise, it was expected that the practice of obtaining current financial information about the bank's debtors would have formed a key part of the understudied bank credit department function. Nonetheless, the evidence available suggested otherwise.

4.2.3. Credit Risk Measurement Methodologies

With this credit risk management practice, the study sought to establish the various measurement methodologies the bank used to quantify its risk exposures.

Measurement Methodologies	Frequency	Percent
Experts	19	27.5
Subjective Analyses	11	15.9
Accounting-based method	33	47.8
None	6	8.7
Total	69	100.0

Table 2: Credit Risk Measurement Methodologies
Source: Author's Fieldwork, 2019

The measurement methodology established were experts' methods, subjective analyses and accounting-based method. Among these methods, the accounting-based method was the most used measurement method. Again, it was established that expert and subjective analyses was the second and the third most used method the used by the bank. Accordingly, 27.5% and 15.9% of the respondents respectively identified expert and subjective analyses as the credit risk assessment method their organization used in assessing its credit risk exposure. However, only 8.7% of the respondents held that their organization did not use any of the identified methods.

Generally, findings from the study suggests that the studied did employ both qualitative (subjective assessment) and quantitative credit risk assessment tools (accounting based)in their credit administration.
The results are in line with the work of Richard et al. (2008) who found that financial institutions do employ both quantitative and qualitative tools in their credit risk exposure assessment. Likewise, findings from this study support the views espoused by Khandani et al. (2010) that among these two forms of assessment tools, quantitative assessment (accounting based method) is the most prefered tools among most banking institutions.

4.2.4. Personnel Responsible for Approving Credit Application at the Bank

This item sought to establish from the respondents the key person within their organization who had the final responsibility to approve a loan application.

Responses	Frequency	Percent
Sanctioned credit committee	28	40.6
Branch Manager	14	20.3
Managing Director	27	39.1
Total	69	100.0

Table 3: Personnel Responsible for Approving Credit Application
Source: Author's Fieldwork, 2019

Findings from Table 3 show that the persons charged with the responsibility to approve a client loan application were the sanctioned credit committee, branch manager and the managing director. However, the sanctioned committee was the institutional body that was identified by most of the respondents as the main entity that approved credit request. Expressly, 40.6% of the respondents identified it as the body that approved loan application request within their organization. Equally, the managing director was identified by 39.1% of the respondents as the person who has the mandate to approve loan request. Finally, as to whether a branch manager at the bank had the responsibility to approve a credit request, it became evident that 20.3% responded in the affirmative.

Interestingly, having three set of persons responsible for approving loan request at the bank suggest that, each person had a given threshold to which their authority ends and begins. This suggests that branch manager loan approval threshold is the lowest followed by the sanctioned credit management and lastly the managing director will have a greater say depending on the amount of the loan facility.

Findings from the study suggest the bank had robust systems which assignspecific authorization to key persons depending on their expertise and position occupied within the organization. Accordingly, findings from the study suggest that the bank had a good credit approval processes in place since by Basel Committee (2001) regulations, banks are required to operate its credit decisions in a well-defined credit-approval criteria where person's will be assigned a certain authority to approve a loan request within a certain range.

4.2.5. Components of Quantitative Assessment Methods in Credit Administration

Having established the fact that the bank uses quantitative method in credit administration, this section proceeds to find out the components of quantitative assessment used. On this, the study employed a 5-point Likert scale (i.e. 1= strongly disagree, 2= disagree, 3= neutral, 4= agree and 5= strongly agree) to elicit the respondents' responses as to whether their organization quantitative assessment took this form or not. However, in order to describe the respondents' ratings, a hypothetical mean of 3.5 was chosen as an indicative that respondents agreed that their organization

quantitative analysis took into account this assessment approach. Again, a mean value within the ranges of 2.5-3.0 suggests that the respondents were neutral in their rating on a given item. Finally, a mean value below 2.4 suggests that the respondents disagreed to a particular item. Accordingly, the respondents rating as to the form their organization credit quantitative considered in their credit assessment have been presented in Table 4.

Item	Responses	Min	Max	Mean	Std. De	RII	Rank
1	Does your institution use projection of client's business cash flow before credits are approved?	3	5	4.45	.768	0.89	2nd
2	Does your institution analyze the future forecast of applicant's business before credits are finally approved?	3	5	4.13	.567	0.826	4th
3	Does your institution use risk ratings in assessing applicants risk profile?	2	5	3.94	.704	0.788	5th
4	Does your institution assess clients' collateral value before a loan is finally dispensed out?	3	5	4.29	.674	0.858	3rd
5	Does your institution perform repayment computations before credits are approved to an applicant?	2		4.54	.800	0.908	1st
	Valid N (listwise)						

Table 4: Forms of Quantitative Assessment Methods the Bank Used in its Credit Administration
Min = Minimum, Max = Maximum, Std. De = Standard Deviation
Source: Field Survey, 2019

The descriptive analysis of the quantitative assessment tool constructed reveals that all the components recorded a mean values above the 3.5 score which suggests that the respondents rated these components between agree and strongly agree score. Notably, 'item 5' (*Does your institution perform repayment computations before credits are approved to an applicant*) was the measuring item which received the highest rating with a mean score of 4.54. This suggests that most of the respondents rating on this item fell within the strongly agree score.

The subsequent item that recorded the next highest mean value was 'item 1' *(Does your institution use projection of client's business cash flow before credits are approved?)*. This item had a mean value of 4.45. However, even with the least rated item thus, 'item 3' (*Does your institution use risk ratings in assessing applicants risk profile?)* results from Table 4 show that it recorded a mean value of 3.94 which gave a clear indication that, most of the surveyed respondents regarded quantitative assessment tools as very important. Again, among all the five items, performing repayment computations was highly regarded.

Findings from the study suggest that the bank's quantitative assessment equally employedrisk-based rating to assess its client risk disposure before approving their loan request. Hence, this goes to suggest that the bank's credit risk management practices are in line with the Basel Committee (2001) requirement.

Again, findings from this study affirm the works of Sumon-Das and Shilpi-Das (2007) which asserted that banks measured the collateral value of a client's asset under the quantitative techniques before finally agreeing to their loans proposals. Again, using indicators such as cash flow statement, inventory levels, and total asset suggest the bank employ some of the most effective quantitative credit assessment methods in their credit approval decisions (Kabir, et al., 2010; Peprah, et al., 2017).

4.2.6. Components of Qualitative Assessment Methods in Credit Administration

Having also established that qualitative method is used in credit administration, this section assesses the components of qualitative technique used. The result is presented in table 5

Item	Responses	Min	Max	Mean	Std. De	RII	Rank
1	Does your institution assess the background of customers before approving their loan request?	3	5	4.15	.592	0.83	4th
2	Does your institution thoroughly assess the internal and external business environment of client's business before loans are eventually approved?	3	5	4.05	.482	0.81	6th
3	Does your institution evaluate the management of a client business before final approval is given to his/her loan request?	2	5	4.25	.736	0.85	2nd
4	Does your business analyze the client behaviour and character before approving their loan request?	3	5	4.39	.653	0.878	1st
5	Does your organization assess the supply and demand side of a client business before approving their loan request?	3		4.09	.588	0.818	5th
6	Does your organization evaluate the business strategies of a client firm before their loan request is approved?	3		4.22	.634	0.844	3rd
	Valid N (listwise)						

Table 5: Qualitative Techniques the Bank Employed
Min = Minimum, Max = Maximum, Std. De = Standard Deviation
Source: Field Survey, 2019

The descriptive analysis of the qualitative assessment tool construct shows that all the items recorded mean values above the 3.5 score which suggests that the respondents rated these items within the agree score. Notably, 'item 4' (*Does your business analyze the client behaviour and character before approving their loan request?*) was the measuring item which received the highest rating with a mean score of 4.39. The next item that recorded the second highest mean value was 'item 3' *(Does your institution evaluate the management of a client business before final approval is given to his/her loan request?)*. This item had a mean value of 4.25. Interestingly, even with the least rated item thus, 'item 2' (*Does your institution thoroughly assess the internal and external business environment of clients' business before loans are eventually approved?)* results from Table 5 show that it recorded a mean value of 4.05 which gives a clear indication that, most of the surveyed respondents regarded qualitative assessment tools as one of the credit analysis tools their firm employed when assessing borrowers credit worthiness.

Importantly, among all the six items, analyzing of borrower behaviour and character was highly regarded by the respondents as the main qualitative assessment method their bank employed when assessing a borrower credit request. The findings from this study support the views of Abbadi and Karsh (2013) which revealed that analyzing of borrower character is one of the most used qualitative credit assessment methods within the banking space. Again, findings from this study is consistent with the works of Brown and Moles (2014) which established character and behavioral assessment of client as some of the qualitative techniques banks in the UK used to assess clients before finally approving their loan request.

4.3. Effect of the Bank's Credit Risk Management Practices on Its Loans Performance

Having established that the understudied bank employed both quantitative and qualitative credit management techniques, this study objective sought to measure the impact the identified credit risk management practices had on the bank's loan performance. On this objective, the study employed a 5-point Likert scale (i.e. 1= strongly disagree, 2= disagree, 3= neutral, 4= agree and 5= strongly agree) to extract the respondents' responses as to whether their credit risk management practices impacted on their loan's performance. In order to describe the respondents' ratings, a hypothetical mean of 3.5 was chosen as an indicative that respondents agreed that the said impact has been realized. Again, mean values within the ranges of 2.5-3.0 suggest that the respondents were neutral in their rating on a given item. Finally, a mean value below 2.4 suggests that the respondents disagreed to a particular item. The ratings are presented in table 7

Responses	Min	Max	Mean	Std. De	RII	Rank	Item
The institution credit appraisal measures have been able to minimize the bank's loan default rate.	1	5	3.64	1.455	0.728	4th	1
Loan recovery at this institution has been highly effective due to the institution credit risk management policies.	1	5	3.43	1.409	0.686	5th	2
The institution credit management techniques have enabled the bank to meet the bank of Ghana credit impairment rate.	2	5	4.01	.883	0.802	1st	3
The institution credit management processes have facilitated the bank credit decision making processes	2	5	3.94	.968	0.788	2nd	4
The institution credit management processes have reduced the bank non-performing loans to the barest minimum	2	5	3.83	1.150	0.766	3rd	5
Valid N (listwise)							

Table 7: Impact of the Bank's Credit Risk Management Practices on Its Loans Performance
Min = Minimum, Max = Maximum, Std. De = Standard Deviation
; [Ppusource: Field Survey, 2019

The descriptive analysis of the credit risk management practices impact construct shows that all the items recorded mean values above 3.0 score which suggests that the respondents rated these items between neutral and agree score. Notably, 'item 3' (*The institution credit management techniques have enabled the bank to meet the bank of Ghana credit impairment rate*) was the measuring item which received the highest rating with a mean score of 4.01. The next item that recorded the second highest mean value was 'item 4' *(The institution credit management processes has facilitated the bank credit decision making processes)*. This item had a mean value of 3.94. This means that on this item most of the respondents rating fell within the agreed score. Equally, the third item that received the next highest mean value was the fifth item (*The institution credit management processes has reduced the bank non-performing loans to the barest minimum*). It had a mean value of 3.83.

Nonetheless, even with the least rated item thus, 'item 2' (*Loan recovery at this institution has been highly effective due to the institution credit risk management policies),* results from Table 7 showed that it recorded a mean value of 3.43 which suggests that it was only on this item that the respondents could not indicate their level of agreement or disagreement as to whether loan recovery at their institution has been highly effective due to the bank's credit risk management policies. However, results on the other four factors clearly suggest that the organization's credit risk management practices have had a significant impact on their loan performance.

Findings from this study is in line with the works of Gakure et al. (2012) as their study found out that credit risk management practices such as; risk identification, risk measurement, monitoring and inspection by branch managers affected the performance of Kenyan commercial banks unsecured bank loans performance to a great extent. Also, findings from this study corroborate the works of Bagchi (2003) and Lagat et al (2013) whose study results revealed that having in place credit risk management practices influenced banks loan performance. Likewise, within this context, it became evident that the studied bank credit risk management practices reduced its non-performing loans to the barest minimum.

4.4. The Bank's Credit Risk Management Policy as Against Basel II Accord Credit Risk Management Policy

The study employed a 5-point Likert scale (i.e. 1= strongly disagree, 2= disagree, 3= neutral, 4= agree and 5= strongly agree) to obtain the respondents' responses as to whether their institutions credit risk management policy met the stated Basel II provisions. However, in order to describe the respondents' ratings, a hypothetical mean of 3.5 was chosen as an indicative that respondents agreed that the said provision was the same as the provisions stipulated in their organization credit risk management policy. Again, mean values within the ranges of 2.5-3.0 suggest that the respondents were neutral in their rating on a given item. Finally, a mean value below 2.4 suggests that the respondents disagreed to a particular item. The results are displayed in Table 8

Item	Responses	Min	Max	Mean	Std. Dev	RII	Rank
1	Does your organization have the required stated capital mandated by the Bank of Ghana for every savings and loans company?	3	5	4.07	.577	0.814	7th
2	Does your organization include the general provisions or general loan-loss reserves made into its stated capital in its financial statement?	2	5	3.70	1.180	0.74	11th
3	Did your institution top management came up with its own internal capital assessment process	2	5	4.04	.977	0.808	8th
4	Our institution has in place mechanisms for determining its overall capital requirement based on its business environment	2	5	4.01	.947	0.802	9th
5	Our institution top management understands the nature and level of risk our banking operations are exposed to.	2	5	4.10	.987	0.802	5th
6	At this organization our Board of directors are responsible for setting the bank owns risk tolerance level.	3	5	4.22	.661	0.844	2nd
7	At this organization management is responsible for the creation of the necessary framework that determines our operations risk susceptibility	2	5	4.23	.942	0.846	1st
8	Our organization has in place methodologies that enable the credit department evaluate the credit risk associated to individual borrowers or counterparties.	2	5	4.09	1.040	0.818	6th
9	Our organization has in place a comprehensive system for monitoring and reporting risk exposures across its loan portfolios	2	5	3.93	.960	0.786	10th
10	The credit department at this organization regularly updates senior management and the board of directors on the bank's risk profile and capital needs on a regular basis.	3	5	4.19	.713	0.838	3rd
11	Our organization regularly disclose features of our internal methodologies used in calculating our minimum capital requirements to the Bank of Ghana	1	5	4.13	1.013	0.826	4th

Table 8: Provisions in the Banks' Credit Risk Management Policy Manual
Min = Minimum, Max = Maximum, Std. De = Standard Deviation
Source: Field Survey, 2019

The descriptive analysis of the bank's credit risk management policy construct shows that all the items recorded mean values above the 3.5 score which suggests that the respondents rated these items within the agree score. Notably, 'item 7' (*At this organization management is responsible for the creation of the necessary framework that determines our operations risk susceptibility*) was the measuring item which received the highest rating with a mean score of 4.23. Under Pillar II of the Basel Accord it requires a bank top management to have ability to understand the nature and level of risk their organization operations are exposed to(Basel Committee on Banking Supervision, 2006). Banks management are also responsible for ensuring that the formality and sophistication of the risk management processes are suitable in reference to their organization risk profile and business plan as well as creates the necessary framework capable of determining the various risks their operations may be susceptible to. Clearly, having most of the respondents agreeing that at their organization management is responsible for the creation of the necessary framework that determines their operations risk susceptibility suggests that their credit risk management policy is in line with the Pillar II of the Basel Accord.

The next item that recorded the second highest mean value was 'item 6' (*At this organization our Board of directors are responsible for setting the bank owns risk tolerance level*). This item had a mean value of 4.22. Under Pillar 2 of the Basel II Accord, the board of directors of a bank are required to set their organization owns risk tolerance level. This suggests that studied bank equally followed this same principle in its credit risk management policy

The next item that received the third highest mean value was item 10 (*The credit department at this organization regularly updates senior management and the board of directors on the bank's risk profile and capital needs on a regular basis*). It recorded a mean value of 4.19. Again, Pillar II equally mandates banks to put in place comprehensive system for

monitoring and reporting risk exposures and determining how the bank's changing risk profile require the need for additional capital requirement (Basel Committee on Banking Supervision, 2006). Equally, when it comes to reporting, sections of Pillar II require that the bank's senior management or board of directors ought to receive reports on the bank's risk profile and capital needs on a regular basis. Likewise, within the context of this study, it was revealed that the bank's credit department regularly updated senior management and the board of directors on the bank's risk profile and capital needs on a regular basis. This suggests that the bank's credit risk management policy took into cognizant the requirements stipulated in the Basel II Accord.

The subsequent, item that received the fourth highest mean value was the eleventh item (*Our organization regularly disclose features of our internal methodologies used in calculating our minimum capital requirements to the Bank of Ghana*). It recorded a mean value of 4.13. According to Basel Committee on Banking Supervision (2006) in order for the supervisory bodies to be able to properly review the bank's operational activities namely; internal methodologies, credit risk mitigation techniques and asset securitizations banks, are required to meet a number of requirements, including risk management standards and disclosures. Hence, banks are required to disclose features of their internal methodologies used in calculating minimum capital requirements to the regulators. Within this study context, it became evident that the studied bank on a regularly basis disclosed features of their internal methodologies used in calculating its minimum capital requirements to the Bank of Ghana. Clearly, this goes to suggest that bank's credit risk management policy addressed the requirements stipulated in the Basel II Accord.

Additionally, the next item that recorded the subsequent highest mean value was the sixth item *(Our institution top management understands the nature and level of risk our banking operations are exposed to)*. It recorded a mean value of 4.10. Under Pillar II of the Accord, it is required that top management of a bank understands the nature and level of risk being taken by the bank (Basel Committee on Banking Supervision, 2006). This is to enable them put in place adequate measures that can address or reduce the consequences of these risks on the bank's operation. Equally, results from the study confirm that the bank's top management did perform this function.

Interestingly, even with the least rated item thus, 'item 2' (*Does your organization include the general provisions or general loan-loss reserves made into its stated capital in its financial statement?)* the recorded mean value was 3.7 which gives a clear indication that, most of the surveyed respondents agreed to all the provisions stated..

Specifically, provision 49(vi) of the Basel II even requires regulators to ensure that general provisions or general loan-loss reserves made by banks can only be included in their capital when they are not intended to deal with the deterioration of particular assets, whether individual or grouped (Basel Committee on Banking Supervision, 2006). Generally, findings from the study suggests that the studied bank's credit risk management policy was in tandem with most of the requirement stipulated in the Pillar II of the Basel II Accord.

5. Conclusion and Recommendations

The first specific objective the study sought to measure was to identify the credit risk management practices used by Multi Credit Savings and Loans. On this objective, it became evident that the bank had in place credit administration unit/department at their respective banks. Also, it was revealed that the practices that constituted the bank credit risk management practices were; preparing of loans agreements, obtaining current financial information on their borrowers and keeping of up-to-date credit records to aid management in credit decisions. More so, it became evident that the studied bank credit risk management practices had in its measurement tools such as accounting based and subjective analyses methods which enable them to quantify their organization risk exposures prior to the approval of credit request by a borrower. Finally, it was established that the quantitative credit assessment method used by the bank took into accounts the borrower cash flow and repayment computations. Also, on the qualitative assessment tool it was established that the bank's method considered a person's character and a client internal and external business environment.

The second objective sought to examined the effect the bank's credit risk management practices had on its loan's performance. Evidently, on this objective, it was revealed that the credit risk management practices employed by the bank have reduced the bank's non-performing loans to the barest minimum.

The next study objective was to assess how the studied bank credit risk management policies fared against that of the Basel II Accord management credit risk policy. Expressly, it became evident that most of the provisions in the bank's credit risk policy manual were consistent with that of Basel II Accord. For instance, it was established that the institution owns top management came up with its own internal capital assessment process. Likewise, findings from the study revealed that the bank's Board of directors was responsible for setting the bank owns risk tolerance level.

From the study, the following recommendations could be made

- Management of the bank should make it a point to build the capacities of the credit administration department in the areas of accounting-based methods and subjective analyses in quantifying risk exposures on a regular basis since any mishap in their duties may lead to series of loan default.
- Equally, as to whether the bank's credit risk management practices have facilitated the bank's loan recovery, it became evident that most of the respondents could not be explicit in their responses. On this score it is recommended that loan recovery practices should be looked into since evidence in this could not establish whether their recovery practices have enabled them to improve upon its loan recovery or not.
- Additionally, it became evident that the organization's board of directors were responsible for setting the bank owns risk tolerance level. On this score it is recommended that the studied bank should either appoint individuals who are conversant with the Ghanaian banking landscape into its board's position or have in place training programmes aimed at building the capacities of its board members with regards to how they can guide management to adequately manage the institutional risks factors.

- Finally, it was revealed that the credit management practice of obtaining current financial information about the bank's debtors did not formed part of key responsibilities of the bank's credit department unit. Accordingly, it is recommended that this function should be included in the credit department duties since evidence available suggests that obtaining regular financial information on borrowers enable banks to detect troubled loans and possibly look out for measures to address it from deteriorating further.

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