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The Effectiveness of Credit Risk Management System on Individual Financial Loan Performance After Dollarization: A Study of Commercial Banks in Zimbabwe, Period 2012 to 2015

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Abstract: The concept of turnaround strategy seeks to bring back profitability in a declining business. In Zimbabwe, ever since the government adopted multi-currency system industries have failed to realise any meaningful positive performance. The manufacturing sector was the most affected. It is against this background that the researchers sought to explore the extent of successful implementation of turnaround strategies in the manufacturing sector in Harare over the period 2009 to 2015 on back drop of impediments and challenges faced. The study employed triangulation approach design as it was found to be the most suitable. A stratified random sampling was used to select companies for the purposes of the study across the 14 sub-sectors of the manufacturing sector in Zimbabwe. A minimum of 2 respondents per company was selected. Data was collected using questionnaires which were administered physically and electronically. In-depth interviews were also conducted for chief executive officers and managing directors. The findings of the study were that companies in the manufacturing sector implemented turnaround strategies that focussed on cutting down costs. However, retrenchments seemed not to yield any positive results. Toxic organisational cultures, misaligned organisational structures, working capital constraints, old and dilapidated machinery, liquidity crisis, and choking government policies have been identified as major internal and external challenges affecting implementation of turnaround strategies. The study recommends that top management in the manufacturing industry should conduct concrete situational analysis in order to obtain in-depth understanding of the underlying problems facing their organisations. Competent management should also be put in place. The manufacturing companies are also recommended to engage services of turnaround specialists, establish strategic alliances, engage all stakeholders and also strive to seek cost competitiveness. The study further recommends that the government should take an active role in ensuring that an enabling environment has exist to allow firms in the manufacturing sector to recover from the economic decline.

Keywords: Credit Risk Management, Dollarization, Loan Performance, Commercial Banks

1. Introduction

In Zimbabwe the concept of financial lending is relatively new in the industry since financial loans were issued directly by international banks. It began to show face in the 2000 but started to grow exponentially in late 2000 with the advent of factors that led to the rapid informalisation of the Zimbabwean economy [10]. Credit was at first given to the rich individuals and huge organizations and was not famous to poor people. In 1990s credits given to clients did not perform which required an intercession. The idea of credit administration turned out to be generally valued by commercial banks in the late 90s, however again this did not stop advance defaults to this date [10]. In Zimbabwe the idea of budgetary loaning is also moderately new in the industry since money related advances were issued straightforwardly by commercial banks just under a formal setup. With unemployment formally recognized at levels surpassing 80%, the casual segment has flourished in Zimbabwe as the biggest manager. Lamentably casual administrators can't get to subsidizing from customary capital suppliers since they need insurance and they discover the business as usual of conventional commercial banks excessively requesting and scaring. Late studies show that interest for financial lending is too excessive and becoming quickly in pair with the development of casual administrator countrywide. It must be noted from now on this is the area that has turned into the fundamental wellspring of survival for most of the populace and consequently to a great extent in charge of nonattendance of the typical strife that portrays different countries but then to date there has been no immediate monetary designation to this key segment.

The meaning of financial loaning in Zimbabwe was constrained to perceive the truth postured by a dichotomous way to deal with the allowing of smaller scale credits in connection to the motivation behind the advances vis - a-vis - creation and utilization. An expansive unexpected of cash loaning establishments became significant because of the high and developing interest for purchaser credits amid the mid 2000s by utilized persons who were thinking that its hard to get by on their fundamental pay rates and compensation in a domain where financial loaning, as proffered by financial foundations (commercial banks) was for the most part more acknowledged as subsidizing for miniaturized scale ventures/organizations. Most improvement accomplices and Non Governmental Organisations (NGOs) were emphatically restricted to this advancement as they trusted that utilization advances empowered unnecessary spending and really made never-ending obligation traps for clueless borrowers. But the reality of the situation was that both commercial banks and moneylenders were putting forth advances for both generation and utilization. Unfortunately, there has been no endeavor to commission a study meant for finding out the end utilization of all acquired assets by commercial banks in Zimbabwe.

Zimbabwe's meaning of financial loaning is expected to be perceived as one of a kind circumstance. Zimbabwe's national financial policy declared in April 2008, and was produced through shared work by a national task force on financials, whose enrollment included Government ministries, zenith associations of commercial banks, the scholarly or academics, commercial banks advancement accomplices and the central bank. The strategy characterized financial loaning as the procurement of a scope of budgetary administrations, including reserve funds, little advances, protection and cash exchange administrations to underestimated individuals from the populace and Small and Medium Enterprises (SMEs) that didn't have entry to back from formal monetary organizations [2].

1.1. Statement of the Problem

Commercial banks (CBs) are known for being the vehicle of economic development, providing opportunities to individuals and companies to borrow money for several investment opportunities in Zimbabwe. Besides the gains that come from these banks several of the financial portfolio consumers are suffering huge setbacks in accessing the loans. Besides in 2013-14, the banks' collections amounted to USD 38.1 million, representing a 6 % drop, 2012-13 had a collection of USD 40.6 million dropped by 10% and last collection of USD 45,5 million dropped by 16%. It is against this very suspicious decline that this study has taken interest to analyze the effectiveness of credit risk management system in the financial sector. Thus decisions regarding solutions to the problems affecting the institutions can be proffered.

1.2. Purpose of the Study

The purpose of the study was to analyse various credit risk management systems on financial loan performances in financial institutions (commercial banks) in Zimbabwe. Using both quantitative and qualitative techniques, the purpose of the study was to analyse and examine the extent of successful implementation of turnaround strategies in 170 randomly selected firms in the manufacturing sector in Harare, in the backdrop of the impediments and challenges faced. The study sought to identify the turnaround strategy choices being implemented in the manufacturing sector, evaluate the effectiveness of each turnaround strategy being implemented and thereafter identify the extent of the effect of the impediments and challenges experienced in implementing these turnaround strategies.

1.3. Research Questions

The study sought to answer the following questions:

1. What is the current status of commercial banks` loan repayment performance?
2. To what degree do commercial banks manage credit risk in terms of the following;
   - Credit terms and conditions
   - Debt collection policy
   - Credit policy (borrower appraisal)?
3. Is there any significant relationship between credit risk control measures adopted by commercial banks and loan repayment performance?

1.4. Hypothesis

Ho: There is no significant relationship between credit risk management systems and loan repayment performance.

2. Review of Related Literature

The concept of credit management became widely appreciated by commercial banks in the late 90s, but again this did not stop loan defaults to this date [10]. In East African Development Banks, loan approvals are separated from risk management in order to reduce the risk of poor quality loans finding their way to the bank's books. The risk management department is strengthened by making regular monitoring and evaluation of the projects mandatory. From 2002 to 2006, although banks carried out credit analysis, most commercial banks in the Southern part of Africa especially Zambia and Namibia were affected by loan quality issue, which in turn affected the banks' competitiveness, profitability, and liquidity and survival capabilities. According to Reference number [10] monetary policy statements of nations should be seen to be progressively confronting issues of non-performing credits, because of inability to distinguish very much planned shortcomings or trouble elements characteristic in any given advance candidate.

This infers credit investigation procedure ought to show diagnostically, the part, significance, and pertinence of all data utilized as a part of settling on loaning choices. To put it plainly, it must expand the normal wage, subsequently diminishing high probabilities of default danger, constantly exchanging off in the middle of danger and return. The Ugandan banking problems have been complicated by poor borrower behavior and credit repayment in the banking system, making it difficult to gauge the severity of the situation or propose timely solutions. Centenary bank is a commercial micro bank operating with over 28 branches country wide. Reference number [6] and number [7] assert that the bank is one of the leading providers of microfinance services in rural Uganda. With respect to Centenary Bank in Uganda, the major problem facing the bank has been identified as failure to manage loan default.

2.1. Principles of Credit Risk

Risk is characterized as a component or element showing a specific peril that will influence the capacity to achieve one goal [12]. Risk is likewise characterized in ISO 31000 as the impact of vulnerability on destinations, whether positive or negative. In money related terms, danger is an obscure segment without bounds estimation of a budgetary resource. Business Banks will evaluate the normal return for one resource and the danger related reflected in the foreseen instability of the normal return. Danger is the variety around the normal return: it can mean the unpredictability of one resource additionally the instability of the default rate for a credit portfolio.

2.2. Principles of Risk Management

Commercial banks (CBs) and financial institutions are exposed to financial risks. In money business, managing those risks is crucial. The objective of the risk function is not so much to minimize risk but to accept them and to optimize the risks and their relation to profitability, within the commercial banks, risk management relies on following five principles:

Identification: the risk function is responsible for identifying the different risks the commercial banks is exposed to and quantifying the financial exposure related to it.

Acceptance: the risk function is responsible for communicating the different risks to the hierarchy and ensuring that all the members of the decision bodies understand the implications of taking the different risks.

Measurement: the risk function quantifies the different risks and the financial exposures related to it. The risk function can also be responsible for quantifying the expected return from taking the risk.

Monitoring: the risk function follows up all decisions made by the commercial banks management related to risk and ensure they follow strictly the commercial bank's strategy set by the board of directors.

Reporting: the risk function is responsible to inform the senior management as well as the board of directors of the different risks incurred. They are responsible to report any material risk within the commercial banks but also toward the regulatory body.

Control: the Commercial banks (CBs) must have enough assets to support the risks that they are taking. The risk function is responsible to ensure that the commercial banks exposure is within the limit set by the commercial banks and is following all regulatory requirements.

2.3. Credit Terms and Conditions

This alludes to the conditions under which a business bank propels credit to its clients [9]. The credit terms will determine the credit period and loan costs. Credit period alludes to the timeframe in which the credit is conceded. The length of the credit period is impacted by Collateral worth, credit hazard, the extent of the record and advertise rivalry [9]. Obligation in a specific class will have its own particular loan fee as per the hypothesis of term structure [12]. The financing costs charged is an expense on obtained supports and might influence the credit execution [12]. Reference number [12] takes note of that credit terms have been the key in the determination of capital necessities of SMEs as set by bank and utilized an apparatus for overseeing credit. Regularly, because of the likelihood of default and absence of compelling contract requirement instruments, loan specialists have extra motivations to confine the supply of credit, regardless of the possibility that they have all that could possibly be needed to take care of a given demand and the borrower is willing to pay a high financing cost [1]. It has, nonetheless, been observed that expansive long haul advances have a near point of preference over little advances in light of the fact that long haul advances build an endeavor's capital base impressively as well as give the undertaking longer elegance and reimbursement (credit) periods, which have been found to bolster business development [1].

Debt Collection Policy: there are different strategies that an association ought to put set up to guarantee that credit administration is done adequately; one of these approaches is an accumulation strategy which is required on the grounds that all clients don't pay the organizations bills in time. A few clients are moderate payers while some are non-payers. The gathering exertion ought to, in this manner go for quickening accumulations from moderate payers and diminishing awful obligation misfortunes [8]. Reference number [8] further states that budgetary official is similar to a pilot who peruses cautioning signal flashes on the instrument board, must have a reporting gadget to screen the accumulation experience. Accumulation experience is characterized as the sequential example to which, the receivables crated amid a given interim are changed over into money.

Monitoring of Accounts Receivable: according to Reference [8], in his publication of known approaches used by management to monitor accounts receivables include;

(1) Percentage of Collection Report

This procedure demonstrates what rate of client's parities toward the start of the period is gathered amid the period. Reference [8] contend that the procedure is touchy to the deals design and the deals averaging period chose.

(2) Relationship between Credit Policy and Debt Collection

Reference [8] suggest that credit strategy was created basically as far as credit deals exercises of assembling organizations, in that when an organization controls over deals on records are lacking, extensive credit misfortunes are verging on unavoidable. Deals exchanges and receivables from clients are firmly related that the two can best be considered mutually in a discourse of credit goals and methods. They encourage state the standard targets of credit controllers in their examination of receivables and deals as to decide, sufficiency of credit control for deals exchange and receivable legitimacy or bona fide of the recorded receivables, that all receivables are recorded, the inexact acknowledgment estimation of this gathering of benefits, precision of the year end cut-off of offers and accumulations, the respectability of revelation and arrangement of receivables to be decided sheet, including swearing of receivables and any related gathering exchange. Subsequently they encourage gave the relationship by the deals and accumulation cycle which empowers the getting of requests from clients, the conveyance and charging of merchandize to clients and the recording and gathering of records receivables. Reference [5] states that the relationship between the viability of credit arrangement and the degree of definite methods on records receivables is that, as more compelling frameworks require less nitty gritty credit structures and therefore consistence regulations. They are both possibly intense and financially savvy and accordingly are utilized every now and again. Reference [5] stresses that loan repayment performance relies on upon a productive credit strategy utilized by the firm. Auspicious delinquent payment accumulations are made conceivable as convenient acknowledgment of installments 13 from indebted individuals furthermore enhance current position of the establishment and money related reporting, interest in securities and meeting customer's commitment. Reference [5] affirms that as firm is required to break down and regulate a bigger number of records when it slackens its credit arrangement. Also it will need to heighten the accumulation endeavors to have the capacity to gather remarkable bills from fiscally less solid clients. As Reference [5], presumes that the observing and catch up methods on moderate installments are likewise a guideline reason for records receivable collection.

Reference [5] states that records receivables point of view underscores two principle variables that is income and liquidity in a credit approach, and fights that educational modules between the two is the way to fruitful execution of a credit organization. This point of view is gotten from the brokers' predicament of obligation and resource administration which is centered around keeping up adjusted levels of return and liquidity to highlight noteworthy relationship between the credit administration and institutional execution. According to Reference [5] in building up an ideal credit strategy, the monetary supervisor must consider the three vital variables. Credit arrangement can likewise be characterized as an association strategy for breaking down credit demands and its choice criteria for tolerating or dismissing applications. In determination in this way, for a firm to have the capacity to increment on deals volume, it ought to offer credit to its clients. On the other hand, offering of credit opens the business to the danger of awful obligations and misfortunes. This can be lessened by building up a decent ideal credit approach. The interest in records receivables relies on upon the volume of credit deals, and the gathering period, in this way the interest in receivables might be communicated as far as expenses rather than deals esteem.

The rate of credit deals is affected by the way of business and industry standards. For instance, an auto producer in India does not deal autos using a loan, they oblige clients to make installment at the season of conveyance, and some of them even ask installment ahead of time. This is a result of the nonappearance of real rivalry and a wide crevice interest for and supply of autos in India [14].

2.4. Credit Scoring Models

Reference [14] affirms that credit scoring models ought to be utilized to check the choices made by advances officers. Reference [14] further brings up shortcomings of depending on layaway officers, for example, preparing costs, long handling time and absence of precision. He suggested the computerization of credit danger administration choices [14]. In any case, the authors found that the credit survey board of trustees was the best system in giving credit. In reality, a few creators discovered that joining manual and robotized choices could prompt considerably more precise choices. Reference [14] raises the likelihood of joining both routines in light of his discoveries, i.e. advances officers and credit scoring models joined were exceedingly precise in conceding credits in his exploration. The last key focal points of credit scoring are its different conceivable applications. To be sure, Reference [14] says that credit scoring could likewise be utilized for valuing advances and setting as follows;

Portfolio monitoring: it would include a list of all necessary reports to identify, to measure, to monitor and to control credit risks.

Forecasting-impairment: it would describe the loan loss reserve calculation and monitoring.

Overrides guidelines: it would formalize all exceptional circumstances where a customer might not fulfill one of the conditions described in the previous chapter. It would also mention the approval authority to allow the exceptions.

Fraud prevention and detection: it would detail what the fraud detection process is, how suspicious accounts are treated, what the process is in case of a fraud ring...

Collections: the collections policy usually describes the overall collections process. However, a sound credit policy should describe how delinquent accounts will be managed and what the collections process will be. From a credit risk side, it is not the operational side of collections that is of interest but the different treatment strategies of the Commercial Banks and the collections agencies.

3. Methodology

The research sought to gather quantitative data on the effectiveness of the credit risk management system employed by the commercial banks in Zimbabwe. The sampling frame was a list of credit risk managers in the CBs in Zimbabwe. The proportionate-stratified and stratified random samplings were applied to draw a sample of 70 from a population of 153 credit risk managers from CBs in Zimbabwe. The variables for the study were rated on a Likert scale of 1-5, with 5 being strongly agree and 1 being strongly disagree. In order to collect required primary data 70 questionnaires where personally administered in various commercial banks and the respondents where credit risk managers. SPSS version 16 was used to analyze the data. Descriptive statistics was used to for measuring dispersion and location using mean, percentages, and standard deviations. Regression analysis was used to determine the extent of the relationship between credit risk measures and loan repayment performance, and a T-test analysis was used test the null hypothesis that was then rejected as a result of the test.

4. Results and Discussion

The data analysis employed descriptive statistics, that is, the mean and standard deviation, regression analysis and simple T-test to statistically analyse the data collected through the questionnaire.

4.1. Research Question 1

What is the current status of commercial banks` loan repayment performance?

Data on the current status of loan repayment performance in commercial banks was gathered and findings were presented as follows:

Table 1. *Status of loan repayment performance in commercial banks.*

Loan Repayment performance					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Usually 30 credit lines/accounts are opened in a week	70	1	5	3.93	1.355
Always 10% of the loan customers' accounts are overdue for payment every month	70	1	5	3.93	1.355
Provision of bad loan debtors has been decreasing by 5% over the last three years	70	4	5	4.49	.503
Profitability on credit borrowed has been increasing by 10% and above	70	4	5	4.66	.478
Our customers usually pay their loans on due dates	70	4	5	4.49	.503
As a result of high repayment rates, our CB always offers adequate financial services to clients' needs	70	4	5	4.56	.500
As a result of high repayment rates, our loan portfolio has grown by 10% to 15% over time	70	4	5	4.49	.503
The Reserve CB of Zimbabwe (RBZ) usually rates our Commercial bank highly as a result of high loan recovery rates	70	4	5	4.60	.493
Information asymmetry usually hinders proper credit repayment by our clients	70	4	5	4.74	.440
The RBZ usually rates our CB highly as a result of low portfolio at risk	70	4	5	4.30	.462
Our portfolio at risk is usually used as a basis to determine bad debts	70	4	5	4.70	.462
LRPSTAUS	70	4	5	4.45	.302
Valid N (list wise)	70				

The findings of the results empirically show that 30 credit lines are opened in a week in respond to loans provided by the commercial banks in Zimbabwe with a mean of 3.93 which implied that the loans are performing very well on the credit market. A mean of 3.93 also supported the findings that 10% of the loan customer's accounts are overdue for payment every month and the loan performance was increasing at the rate of 10% in terms of profitability. A mean of 4.66 shows that Profitability on credit borrowed has been increasing by 10% and above in commercial banks. Clients have been paying their debts before overdue as shown by the mean value of 4.49 and to support the argument the rate of bad debts was decreasing by 5% every three consecutive years as shown by the mean value of 4.49. However, as a result of high repayment rates, CBs loan portfolio has grown by 10% to 15% over time with a mean value of 4.49. The results proved that the loan repayment was improving based on the study. Overall the mean value of 4.45 shows that the respondents agreed that the CBs are making efforts towards improving their loan repayments using credit management systems.

4.2. Research Question 2

To what degree do commercial banks manage credit risk in terms of the following;

a Credit terms and conditions
b Debt collection policy
c Credit policy (borrower appraisal)?

4.2.1. Credit Terms and Conditions

Data on credit terms and conditions was collected and the results were as follows;

Table 2. *Credit terms and conditions.*

	N	Minimum	Maximum	Mean	Std. Deviation
The CB charges higher penalty fees to borrowers as way of discouraging defaults	70	4	5	4.66	.478
The CB charges better interests to allow better returns from investment though a multiplier effect	70	4	5	4.69	.468
The CB ask for collateral security which is of twice value as much as the amount borrowed to reduce credit risk of defaults	70	4	5	4.87	.337
The CB strictly require a guarantees for procurement of financial loans from borrowers	70	4	5	4.51	.503
The CB issues Short Term loans of maximum period 3 Months	70	4	5	4.69	.468
The CB only provide loans to those who have proof of employment and certainty in earning monthly remunerations without fail regardless of the economic status of Zimbabwe	70	4	5	4.46	.502
Valid N (listwise)	70				

The respondents were asked whether the CBs charges higher penalty fees to borrowers as way of discouraging defaults and the results of the study showed that the respondents strongly agreed that commercial banks make use of terms and conditions with a mean of 4.66 and a standard deviation of 0.478. The results of the study imply that if a client defaults the loan repayment penalty charges will be charged on his account and this is a credit management system towards reducing defaulting. Apart from high penalty charges CBs charges better interests to allow better returns from investment though a multiplier effect with a mean of 4.69. This is also very important since it is a strategic way of increasing marginal propensity to payback the financial loans. The CBs asks for collateral security which is of twice value as much as the amount borrowed to reduce credit risk of defaults with a mean value of 4.87. This implies that no client can gain access to credit schemes without collateral security. Those clients who have pledged collateral will not redeem their assists in the case of defaulting. Apart from collateral the CBs strictly require a guarantee for procurement of financial loans from borrowers with a mean of 4.51. This mean that in order for a client to have access to credit loans an organization or company can act at a guarantee of payment in the case of defaulting which implies that the CBs in Zimbabwe make use of credit terms and conditions as strategic ways towards managing credit and improving loan repayment performance. The research also revealed that the CBs issues short term loans of maximum period 3 Months with a mean value of 4.69 since the risk of defaulting in a long debt are very high. This means this is a better way of improving loan performance considering time value of money and shorter pay back periods. Furthermore, the CBs only provide loans to those who have proof of employment and certainty in earning monthly remunerations without fail regardless of the economic status of Zimbabwe with mean of 4.46 which imply that most of the people gain access to financial loans in current Zimbabwe situation are the civil servants only with certainty in terms of employment and monthly remuneration. However, overall the results revealed CBs in Zimbabwe also make use of credit terms and conditions to a greater extend as an element of credit management system towards improving loan repayment performance.

4.2.2. Debt Collection Policy

Data on debt collection policy was collected and the results were as follows:

Table 3. *Debt collection policy.*

	N	Minimum	Maximum	Mean	Std. Deviation
The CB send representatives from the company to monitor and collect debts	70	4	5	4.80	.403
The CB have a legal personnel to certify and advise management on debt default legal procedures to follow	70	4	5	4.63	.487
The CB collects 75% of debt from each borrower for short-term 3 months' loans by the end of repayment period	70	4	5	4.79	.413
The CB have specific policies for managing loan risks	70	4	5	4.59	.496
The CB regularly review its credit policy	70	4	5	4.56	.500
Valid N (listwise)	70				

The results revealed that the CBs send representatives from the company to monitor and collect debts with a mean

4.80 and standard deviation 0.403. This means CBs have a debt collection procedure and channel which they use as part of their policy for debt collection in Zimbabwe. A mean of 4.63 and standard deviation of 0.487 shows that the CBs have a legal personnel to certify and advise management on debt default legal procedures to follow. In that case CBs follow the right channels when collecting the debt. This also implies that they are agreed contracts, which legally binds the borrower and the money lender in the case of defaulting and maintaining relationships. In additional the CBs collects 75% of debt from each borrower for short-term 3 months' loans by the end of repayment period with a mean of 4.79. However, the results show that the CBs possess a debt collection policy since the respondents agreed that a 75% debt will be collected as a measure towards improving loan performance and avoiding defaulting. The research also revealed that the CBs have specific policies for managing loan risks with a mean of 4.59 and also regularly review its debt collection policy with a mean 4.56. The results clearly show that a debt collection policy exists and CBs in Zimbabwe also make use of debt collection policy as an element of credit management system towards managing credit.

4.2.3. Borrower Appraisal

Data on credit policy (borrower appraisal) was collected and the results were as follows:

Table 4. *Borrower Appraisal.*

	N	Minimum	Maximum	Mean	Std. Deviation
In order to induce desired behavior of a borrower, CB always uses the threat of cutting off credit	70	4	5	4.61	.490
The reputation of the borrower usually plays a big role in the enforcement of credit contracts at CB	70	4	5	4.51	.503
Borrowers are usually more determined to use loan money effectively	70	4	5	4.61	.490
Borrowers always pay their loans promptly	70	4	5	4.57	.498
Creativity of lender to provide the borrower with specific terms and solutions usually affects the borrower's decision to take the loan	70	4	5	4.59	.496
At CB, loyal borrowers are usually given the opportunity to establish the necessary reputation required for loan availability and accessibility	70	4	5	4.57	.498
Valid N (listwise)	70				

The respondents were asked whether the reputation of the borrower usually plays a big role in the enforcement of credit contracts at CB and the results of the study showed that the respondents strongly agreed that commercial banks make use of borrower appraisal as a credit management system towards improving loan repayment performance with a mean value of 4.51 and standard deviation of 0.503. In order to induce desired behavior of a borrower, CB always uses the threat of cutting off credit with a mean of 4.61 and standard deviation of 0.490. This however is used as a way of determining borrowers who are worthy issuing credit by inducing the right behavior. A mean of 4.61 shows that borrowers are usually more determined to use loan money effectively. It also implies that borrowers are rational in terms of money use and they make good financial decisions in planning for finance use. In additional Borrowers always pay their loans promptly as shown by a mean value of 4.57. The research also revealed that creativity of lender to provide the borrower with specific terms and solutions usually affects the borrower's decision to take the loan with a mean of 4.59 and standard deviation 0.496. Furthermore, at CB, loyal borrowers are usually given the opportunity to establish the necessary reputation required for loan availability and accessibility with mean value of 4.57. However, overall the results revealed CBs in Zimbabwe also make use of borrower appraisal as an element of credit management system towards improving loan repayment performance.

4.3. Research Question 3

Is there any significant relationship between credit risk control measures adopted by commercial banks and loan repayment performance?

Regression analysis was used to determine the relationship between credit risk control measures and loan repayment performance. The results obtained are shown in table 5 below.

Table 5. *Regression Analysis: Relationship between Credit risk management system delivery and cliental satisfaction.*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.850[a]	.832	.830	.142	.823	576.000	1	48	.000

a. Predictors: (Constant), credit risk control measures

Table 6. *Coefficients.*

Model	Unstandardized Coefficients		Standardized Coefficients			T	Sig.
	B		Std. Error	Beta			
1	(Constant)	2.038	.064		31.800	.000	
	LRP	.962	.040	.961	24.000	.000	

a. Dependent Variable: RP

Table 5 above shows that the "adjusted R square" results indicate that; the credit risk measures predict 83% of the variance in Loan Repayment Performance of CBs. The credit risk measures were a significant predictor of loan repayment performance with (Beta= .962, Sig 0.00). The findings showed a significant and positive relationship between relationship credit risk measures and loan repayment performance (r= 0.850) which implied that if the banks put a lot of emphasis on nurturing credit risk measures; this would enhance loan repayment performance by 83.2% (R2). The findings are supported by Reference [2] who posits that the theoretical foundations of relationship banking are found in the modern literature of financial intermediation that acknowledges the special role of banks in alleviating the informational asymmetries in the credit markets. Early works of Reference [2] stresses the information production function of banks. Screening and monitoring procedures give an information advantage to banks that allow them to overcome information and incentive problems between the bank and the borrower. This also conformed to Reference [3] findings, which stipulated that there is a negative relationship between loan quality of commercial banks and credit management systems.

4.4. Hypothesis Testing

Ho: There is no significant relationship between Credit Risk Management Systems and loan repayment performance.

Credit risk management systems were hypothesized to have no significant relationship with Loan Repayment Performance in CBs. An index for each of the credit risk management system dimension was calculated to represent all the items that were used to measure this construct. The Loan Repayment Performance index and the credit risk management system dimension indices were used to test the relationship between them. There is a positive correlation between credit risk management system dimensions and loan repayment performance and this marks a strong positive relationship noted at, r= 0.850. Table 7 below shows the variables which were statistically significant after conducting one-sample t-test at 95% sig level to test the hypothesis of the study.

Table 7. *One Sample T-test.*

	Test Value = 4					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
CTC	3.222	69	.000	.150	.24	.06
DCP	4.548	69	.000	.350	.47	.23
CBA	5.685	69	.000	.450	.58	.32

Since a significant positive relationship was confirmed the hypothesis that there is no significant relationship between Credit Risk Management Systems and loan repayment performance was rejected.

4.5. Findings of the Study

The findings of the study are as follows:

(1) Thirty (30) credit lines are opened in a week in response to loans provided by the commercial banks in Zimbabwe and this implied that the loans are performing very well on the credit market. 10% of the loan customer's accounts are overdue for payment every month and the loan performance was increasing at the rate of 10% in terms of profitability. CB charges higher penalty fees to borrowers as way of discouraging defaults the respondents strongly agreed that commercial banks make use of terms and conditions with a mean of 4.66 and a standard deviation of 0.478.

(2) CBs charges better interests to allow better returns from investment though a multiplier effect, ask for collateral security which is of twice value as much as the amount borrowed to reduce credit risk of defaults and strictly require a guarantee for procurement of financial loans from borrowers.

(3) The research also revealed that the CB issues Short Term loans of maximum period 3 Months since the risk of defaulting in a long debt are very high. This means this is a better way of improving loan performance considering time value of money and shorter pay back periods.

(4) CB send representatives from the company to monitor and CBs have a debt collection procedure and channel which they use as part of their policy for debt collection in Zimbabwe.

(5) CBs have a legal personnel to certify and advise management on debt default legal procedures to follow. In that case CBs follow the right channels when collecting the debt. This also implies that they are agreed contracts which legally bind the borrower and the money lender in the case of defaulting and maintaining relationships.
(6) CB collects 75% of debt from each borrower for short-term 3 months' loans by the end of repayment period with a mean of 4.79. However, the results show that and the CBs possess a debt collection policy since the respondents agreed that a 75% debt will be collected as a measure towards improving loan performance and avoiding defaulting.
(7) The reputation of the borrower usually plays a big role in the enforcement of credit contracts at CB and the respondents strongly agreed that commercial banks make use of borrower appraisal as a credit management system towards improving loan repayment performance.
(8) In order to induce desired behavior of a borrower, CB always uses the threat of cutting off credit with a mean of 4.61 and standard deviation of 0.490. Borrowers always pay their loans promptly and creativity of lender to provide the borrower with specific terms and solutions usually affects the borrower's decision to take the loan with a mean of 4.59 and standard deviation 0.496.
(9) Furthermore, at CB, loyal borrowers are usually given the opportunity to establish the necessary reputation required for loan availability and accessibility and the results revealed CBs in Zimbabwe also make use of borrower appraisal as an element of credit management system towards improving loan repayment performance.
(10) The results revealed that there is a positive relationship between credit risk control measures and Loan Repayment Performance. With Pearson correlation coefficient of $r = 0.850$ since this is a positive value, this implies a direct relationship between the two variables. If banks nurture credit risk management measures loan repayment performance would increase by 83.2% (R2).

5. Discussion

Clients have been paying their debts before overdue and to support the argument the rate of bad debts was decreasing by 5% every three consecutive years. Overall the respondents agreed that the CBs are making efforts towards improving their loan repayments using credit management systems. Furthermore, the CBs only provide loans to those who have proof of employment and certainty in earning monthly remunerations without fail regardless of the economic status of Zimbabwe. However, overall the results revealed CBs in Zimbabwe also make use of credit terms and conditions to a greater extent as an element of credit management system towards improving loan repayment performance. The results clearly show that a debt collection policy exists and CBs in Zimbabwe also make use of debt collection policy as an element of credit management system towards managing credit. Borrowers are usually more determined to use loan money effectively and this implies that borrowers are rational in terms of money use and they make good financial decisions in planning for finance use.

6. Conclusion

Although credit management systems were identified CBs must maintain the standards but improve on debt collection policy to ensure that they increase 75% target on short term 3 month loans. There is great need for the CBs to improve on credit period, credit limit, and high interest rates before advancing credit to improve loan repayment performance. CBs should engage the stakeholders in identifying problems in Loan Repayment Performance in order to get results. This is healthy for financial accountability and recovery of loans. Engaging the stakeholders in designing measures so as to follow up projects to ensure the loan agreements are implemented and also credit period being adequate and satisfactory to all customers. The study confirmed a strong positive relationship between credit risk management systems and Loan Repayment Performance in CBs. The existence of an effective credit risk management systems, the higher the Loan Repayment Performance levels. The research findings revealed that most commercial banks are now resorting to short-term lending. This is due to, volatile and unstable economic and financial systems, which brings some elements of uncertainty and increased risk. These results conformed to the empirical findings under the Commercial Loan Theory by Reference [11] which stipulates that all commercial banks should lend on short-term basis if the environment is very dynamic. Grill on his empirical finding revealed that short-term lending helps banks to improve their liquidity problem, as the same case commercial banks are doing in Zimbabwe. The research findings of short-term lending by commercial banks contradicted with what was hypothesized by Reference [11] as the Anticipated Income Theory. The Anticipated Income Theory's findings stated that commercial banks should lend on long-term basis to improve their profitability and liquidity management. However, banks in Zimbabwe are resorting to short-term lending as a way to improve liquidity management and reduce the level of risk associated with future uncertainty and manage to maintain their desired profit levels.

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