# CAUSES OF CONTINUED LOAN DELIQUENCIES IN UGANDA'S COMMERCIAL BANKS

**A case study of Standard Charted Bank**

**BY**

**RWANKWENGE MUBU HENRY**

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## ABSTRACT


The major aim of this study was to empirically establish the causes of continued loan delinquencies in Uganda's commercial banks using a case study of Standard Chartered bank. The study uses primary data collected by the researcher from the three branches of Standard Chartered bank; City branch, Gulu and Jinja. The data was collected using a structured questionnaire self-administered from 66 respondents. We generated various statistics such as frequency, percentages, mean and Spearman's correlation coefficients using SPSS version 11.

The findings of the study indicate that borrowers' characteristics such as age of the borrower, the level of education of the borrower, the location of the borrower and the level of profits and or salary level have an effect on loan delinquencies. The study established that loan delinquency reduces with the age of the borrower, the level of education, the location of the borrower and the level of profits and or the salary of the borrower. Other causes of loan delinquency established by the study include high interest rates, limited loan support services, poor economic conditions, salary delays, limited borrowers' sensitization, inadequate monitoring and limited credit education among the borrowers and the character of the employers. These were established using Spearman's' correlation coefficient.

Basing on the findings of the study, we recommend that before lending out loans to the borrower, the bank should ensure that the borrower is well sensitized on how to service and use his or her loan well. They should also monitor how the borrowed funds are being used by the borrower. Through this, loan defaults will be minimized. We also recommend that banks should give loans after establishing the location of the borrower, age, his salary or the business and or the collateral security presented, other obligations and individuals previous loan conduct. This will ensure lending money to only those who can afford to repay the borrowed funds. The bank should also offer loan support services such as loan top ups to the borrowers. This will help the borrowers to reorganize themselves and be able to repay the borrowed funds. The banks can also use interest rates as sieve to distinguish between the bad borrowers and good borrowers.