THE CAUSES OF THE FINANCIAL CRISIS IN NILE COMMERCIAL BANK IN JUBA, SOUTH SUDAN:

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ABSTRACT

Nile commercial Bank provided loans to borrowers and these individuals have defaulted the bank. The objective of this study was to analyze the causes that are contributing to the financial crisis within Nile commercial Bank in South Sudan. Descriptive research design was used in the study and target population comprised of two hundred and forty eight bank workers and stratified random Sampling technique was used to select one hundred workers from the top management, middle and low management. Both opened and closed questionnaires and interviews guides were used to collect data; the collected data was analyzed using descriptive statistics, where statistical Packages for social science (SPSS) was applied and data presented through percentages, means, standard deviations and frequencies. The information was put on the bar charts, graphs and pie charts; this was done by tallying up all the response, computing percentages, weighted mean and standard deviations. The study concludes that lack of clear policies governing bank operations, lack of collateral security and low level of education of workers contributed to financial crisis within Nile commercial bank, the management of Nile commercial bank should put in a place monitoring systems to detect employee conduct. There was conflicts of interest in the management of the banks and there is need for the management of Nile commercial bank to come up with structured solutions and strategies such as international diversification to mitigate the effect of unsecured commercial banks loans, management of Nile commercial bank should consider investing in employee training and management, this will help to enhanced banks image and fostering managerial role in the bank.

Keywords: Financial crisis, Moral hazard, adverse selection, information asymmetric.

1.0 Background of the Study

Managing financial institution has never been an easy task due to availability of information asymmetric within capital markets; it is this scenario that has resulted into moral hazard and adverse selection, because bank doesn't have vital information about the background of the borrowers due to limited knowledge of their previous loans. Lack of credit reference bureau that containing all the names of the borrowers who have taken loans from other financial institution in order to prevent fraudulent individuals from manipulating the financial markets Mishkin and Eakins (2012). Kallberg and Udell (2003) Information wedge between lenders and borrowers Informational capacity significantly affects business access to external finance and it costs formal information sharing mechanism Lenders can share information about their borrowers with other creditors through formal sharing arrangements. Information sharing can reduce problems of adverse selection and sharing is also valuable in addressing moral hazard problems. In an environment of multiple lenders information sharing mechanism the important of coordination costs among multiple lenders in financing large firms.

Lack of monitoring mechanism is also one of the factors that demise most of financial institution in any country worldwide, Kalani and Maweru (2009) recognized that most of banking crisis in Kenya are caused by direct result of customers' failures to disclose vital information during loan application process which has contributed to financial crisis due to borrowers having multiple loans using one collateral security to get several loans. According to Malok (2009), Nile commercial bank has decided to give out loans to individual with the agreement to repay back the money within specify period of time, however, the beneficiaries of the loans defaulted the bank. It is these situations that led to the financial crisis with in the financial institution because bank has run out of cash and have shortages of funds; therefore, shareholders could not be in a position to recover their money from defaulters.

The Nile Commercial Bank had embarked in nationwide recruitment of new staff and open many branches with in ten states of South Sudan but, when the bank experience financial difficulties all the branches were shut down before it was bailed out by the government of South Sudan; these practices have contributed tremendously to the closures of all branches within ten States in the Republic of South Sudan. This research is to investigate the factors that led to financial difficulties with in one the most favored Sudan People Liberation Movement (SPLM), the movement bank during the war of liberation from the government of Sudan. According to Fayyad (2008) the bank can be successful when shareholders Consolidate revenues and liquidity to protect the business when it is in trouble.

1.1 Statement of the Problem.

Hu and Dong (2013) recognized that lending of huge loans to individuals in the fragile markets can result into defaults and bad debt contributed to financial difficulties due to lack of enough funds in the bank. The research did by Irish (2013) to investigate the unfortunate of financial institutions in Irish Republic has revealed that auditors are exaggerating financial statements with unfounded disclosure to misled the credit rating agency, procedures and process are only in the paper and are not put practice in the bank this led to fraudulent and favoritism in the bank, Bryan and Steven (2013) stated that financial institution problem is the result of the poor governance and bad system practices by the managers and accountant of the firm. The auditors' failure to provide true financial statement is the outcome of bad performances and resulted into bankruptcy and liquidation of the bank.

According to Kalani and Maweru (2009) stability of financial institutions depends on the quality of assets and liabilities it has to protect the financial institutions when it is in need of funds, Duffoo (2004) stated that weakness in assets quality and lack of ample liquidity has contributed to financial distress because poor assets cannot help the bank when it has trouble, this can implicate financial situation due to shortages of funds, Boyson (2014) put more emphasis on the quality of laws that are used to prevent uncertainty to occur in the banking sectors because of dishonest people handling the resources of shareholders, absent of inadequate laws a encouraged managers to behavior dishonestly, Tatiana and Iuliia (2014) stated that lack of ample information contributed to information asymmetric and resulted moral hazard and adverse selection in the financial markets because the activities of the borrowers is not known by lenders, also honest entrepreneurs is not known by the lenders.

Financial institution has a role to lend out funds to investors with guarantee of collateral security to protect lenders wealth against dishonest people in financial markets, this practice of an unethical managers have been fuelling the information asymmetric in the financial market, because of inefficient information when dealing with the borrowers, Malok (2009) has revealed that loans were given without proper screening to diagnose a dishonest and honest entrepreneurs. Lack of mechanism to enforced restrictive loans covenant on the borrowers and monitoring their activities to prevent defaulters from exploiting absence of supervision in the financial markets, has resulted borrowers defaulted the bank and failed to repay back the money and this situation led to shortages of cash. Available literature have not mentioned inexperience of cash management in the bank and this this gap that my research intended to fill. The objectives of this study were to investigate the causes of financial crisis with in the Nile commercial bank in South Sudan.

1.2 General objective

The main objective of this study was to analyze the causes of the financial crisis with reference to Nile Commercial Bank in South Sudan. The specific objectives were.

i. To investigate the effects of conflict of interest which contribute to financial crisis within Nile commercial bank
ii. To determine the effects of collateral security on financial crisis within Nile commercial bank
iii. To explore the effects of level of education on financial crisis within Nile commercial bank.

2.0 LITERATURE REVIEW

2.1 Theoretical Review

Cash Management Theory

Hampton (1989) found that firm needs cash to carry out day to day functions of the business. Firms could also need cash for contingencies, it would have to concerned with unexpected occurrences or emergency that require cash management is very important for the operation of business Pandey (2013) has put more emphasizes on the need to have cash and state that cash management is a basic need to keep the business running on the continuous basic, the firm should keep sufficient cash neither more or less cash shortages can disrupt the firm operations, cash is the money which a firm can disburse immediately without any restriction. Cash can be hold because of transaction motive because firms need cash primarily to make payments for purchasing, wages and salaries and other operating expenses. Cash is also held because of precautionary motive and the need to hold cash to meet contingencies in the failure is to provides a cushions or buffer to withstand some unexpected emergency, also speculative motive relates to the holding of the cash for investing in profit making opportunities when the need arise. Brealy and Myer (1996) has mentioned that cash is just another raw material that you require to carry on production; it is the other part of making sure that the collection and disbursement of cash are efficient as possible.

Paramasivan and Subramanian (2008) defines cash management as business concern needs cash to make payments for acquisition of resources and services for the normal conduct of business, cash is one of the most important and need a key part of the current assets and it consist of cash inflow and outflow. Holding cash or near to meet routine cash requirement to finance transaction in the normal course of business operation. Rabil (2012) defines cash management originally means the management of liquidity in order to meet their day to day commitment, efficient and effective liquidity management is very important as a way to avoid the risk of liquidity is to maintain a large amount of cushion short term interest bearing deposit.

Moral Hazard Theory.

Jones (2008) in most situations consumers can take actions to reduce expected losses income from individual risk. They take precautions to reduce the probability of loss through self-insurance. Rubinstein and Yaari (1983) Moral hazard is an example of economic interaction involving imperfect observability,the insurer cannot observe certain actions taken by the insure red actions which, however, have an effect upon the insurer pay off. Shavell (1979) the situation may arises when the optimal policy under moral hazard involves relatively little coverage in which case the insurer is reduced to take relatively much care. Holmstrom (1979) It has long been recognized that a problem of moral hazard may arise when individuals engage in risk sharing under conditions such that their privately takes actions affect the probability distribution of the outcome. The same of this moral hazard or incentive problem is an asymmetric of information among individuals that results because individuals' actions cannot be observed and hence contracted upon. Million and Thakor (1985) Managers of the firms wish to sell new shares to investors who don't know the true values of the shares

Moral hazard is the financial risk in the financial market and occurs after transaction has taking place between the lenders and borrowers, according to lenders point of view, borrowers sometimes engaged in the risky project after the transaction occurs, they can divert the funds from the original plans and engage in the investment that has high return without concerning the risks that can involve in the activities. According to Mishkin and Eakins (2012), the situation has the probability of risking the entire investment in the expenses of the lenders, Jebiwott and Ambrose (2013), recognised that, borrowers always used one collateral security to secure multiple loans and when the times come for repayment, borrowers default the lenders and difficult to recover the entire money because majority of financial institution were given the same collateral security, this can put all the lenders to compete for one collateral security to recover their debts.

Adverse selection Theory

Finkelstein and Poterba (2006) Asymmetric information can make conditionals on risk class in which the insurance company place buyers. Tumay (2009) adverse selection is the problem of asymmetric information and occurs before the transaction this problem arises when there is a hidden characteristics problem and people on the informed side of the market in self-selection in a way that is harmful to the unformed side.

These situations occurs when the lenders make any economic decisions to give out loans to the investors, It is the scenario that has been created by information asymmetric, the person who can produce undesirable results are the one to default the financial institution, leading to uncertainty. According to Mishkin and Eakins (2012) this is the result of loans managers making choices about the potentials borrower to get money for their investment. Adverse selection is the result of not knowing better entrepreneur when the investors are applying for loans and borrowers knows exactly what type of the investment she can carrying out either in the risky or in the safer investment as well as clear returns on investment and risk that are associated with it.

Pecking order theory.

Atiyet (2012) she defines the pecking order theory as a suggestions of firms having a particular preference order for capital used to finance their business owing to the information asymmetric between the firm and potential investors, however, some firms can prefer to retain earnings to the debt, firms which information asymmetric is large should issue debt to avoid selling under-priced security. Johansson and Lundblad (2011) defines pecking order theory suggest that firms follows specific pecking order with regards to their financing alternatives. Brealy et al,(2003) pecking order theory starts with the asymmetric, managers knows more about their companies prospect than risks and values than do outside investors, because of the lack of adequate information, managers credibility is the effect by asymmetric information, the choice between internal and external financing and between new issues of the debt and equity security, this leads to a pecking order in which investment is financed first with internal funds.

2.2 Empirical Review

Duffco (2014) have stated that less quality of regulators cannot reinforce banking system and lack of principles of management application within the banking sector can hamper the success in the banking prosperity, Boyson (2014) has put more emphasis on the lack of regulatory contributed to default and dishonesty as a result of less information in the financial markets. The weak system cannot reduce moral hazard and information asymmetric, this situation of one party having less information about the intention and real activities of the borrowers is the result of deceit by borrowers because they can invest the money in risky investment against the wishes of lenders and outcome of the activities can be default and loss of entire loans. Tatiana and Luliia **(**2014) has recognized that investors with less information when buying stock in the market can have probability of investing in the wrong firm, according to Hu and Dong (2013) few banks in India are investing in Collaterized debt obligations to prevent future default also Muthukumar and Sirajudeen (2014) have state clearly that, if financial institution have less assets, it can have difficulties to gain enough profit and then the result of keeping less liquidity will be disastrous when the bank experience financial turmoil, Ejoh and Okpa (2014) have mentioned lack of honesty among the financial institutions managers worldwide affects the banking institutions and most of research focusing on related and relevant literature revealed that banks are mostly affected by lack of credit information on the borrowers.

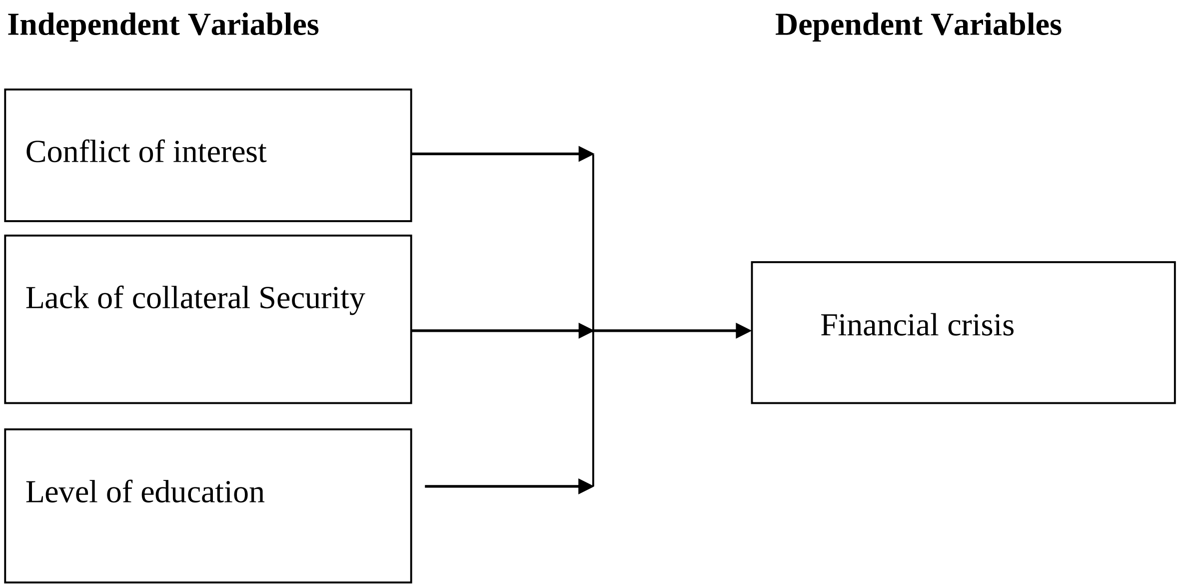
The concept of information asymmetric in the financial markets is the root causes of any financial failures and contributed to institutional crisis, financial turmoil is the outcome of bank having low quality assets and huge loans to defaulters; this can affect the profit and earning income by shareholders and affect future stability of that institution Kwambai and Wandera (2013) managing financial institution and keep it in a better position, it is good to maintain quality of assets and adequate assets and liability to be equal to prevent financial distress and adequate capital Campbell and Pfueger **(**2013 have revealed that, assets with poor qualities cannot reinforce bank when it experiences financial turmoil, the bank with poor assets and less liquidity can result in financial crisis and failures as well as liquidation, Omaha (2013),it has been acknowledge that failures of financial institution happens when the bank decided to give enormous loans to individuals in the fragile markets, this scenario allows the bank to have less liquidity, when the time comes for reporting, the auditors can exaggerate the figure of the financial statement to reflect unfounded disclosure to misled the credit rating agency.

This bad practice has been contributed to failures of banks due to procedures and process that are only exist in the papers without putting them into practices in the management of financial institution, bad practices has resulted from poor governance and lack of sufficient information of bank balance sheets and its profit to determine the performance of the bank, to recognizes the strength and weakness of bank at the early stage to give a room for restructuring and secure more loans from other sources to prevent total collapsing reports Irish reports (2013). When the public heard that bank can experience financial crisis and to have difficulties, the depositors can be panicking and starting withdrawing their money and put this money into the bank that is secure and stable, the decision of withdrawing the entire money can put the bank in financial shortages, this scenario allows bank to be venerable and lost entire investment. During financial distress must of firm are afraid of inflation of local currency and decided to keep their liquidity in form of hard currency to prevent future disappointment Invashina (2012).

Related literature under investigation has revealed that most of the financial institutions that have problems are caused by lack of enough liquidity to back up the bank when it has fallen into trouble, it is this scenarios that led to insolvency and demise most of financial institutions worldwide Wu and Kong (2011), It was manifested that majority of financial institutions that have problems are caused by less governance effectiveness of the top management who are not paying much attention to the regulatory, quality of assets and liability that the firm has and inadequate cash in both assets and liabilities due to lack of enough cash. It was also seen that political instabilities within a country and less effective control mechanism to manage the resources of the financial institutions can open the rooms for insiders within the banking sectors to corrupt the system and resulted into corruption and eventually loss of the bank resources and outcome can be financial distress. The result of mass credit by the government and private sector have drained the chess of the bank and caused banking crisis and financial crash of local currency within the country due to inflation, also excessive of currency in the hands of individuals due to bad monetary policy by the central bank can contribute to financial crisis, Kenneth and Rogoff (2011), manifested the issue of nonperforming loans contributed to the financial institution failures Li (2010) and also triggered by single mass loans issued by the insiders in the bank, political pressure from the politicians to get enormous loans as resulted into favoritism and disastrous and led to moral hazard and adverse selection Kalani and Maweru (2009**),** have stated clearly the shortages of funds flow between the banks and depositors make bank to have less money and cannot meet its daily expenditures and basic obligations to pay its depositors, Taylor **(**2008).

2.3 Conceptual Review

The conceptual review is the result of having independent variables and dependent variables, according to Mugenda and Mugenda (2003) an independent variables is a variables that a researchers can manipulate in order to determine its effect on another variable dependent variables are also called predictor variables because they predict the amount of variation that occurs in another variables. Dependent variables sometimes called the criterion variable, attempt to indicate the total influence arising from the effects of the independent variable.



3.0 RESEARCH METHODOLOGY

3.1 Research Design

Research design is the basic plan that indicates an overview of the activities that are necessary to execute the research project. This research problem was studied through the use of a descriptive research design. According to Mugenda and Mugenda (2003), a descriptive study is concerned with finding out what, where and how of a phenomenon. This method concerned with the intense investigation of problem solving situations in which problems are relevant to the research problem. The research focused on analysis of factors contributing to the financial institutions crisis with special focus on Nile commercial bank in South Sudan. The underlining concept was to select several targeted cases where an intensive analysis identifies the possible alternatives for solving the research questions on the basis of the existing solution applied in the selected case study. The study attempted to describe and define a subject, often by creating a profile of group of problems.

3.2 Target Population

Target population in statistics is the specific population about which information is desired. According to Mugenda and Mugenda (2003) a population is a well-defined or set of people, services, elements, events, group of things or households that are being investigated generalize the results. This definition assumed that the population is not homogeneous. The population of this study comprised of all the staff of Nile commercial bank in South Sudan.

3.3 Sampling Procedure

According to Mugenda and Mugenda (2003) a sampling frame is a list of all population units from which the sample of a study is drawn. Sampling techniques provide a range of methods that facilitate to reduce the amount of data need to collect by considering only data from a sub-group rather than all possible cases or elements. At the time of conducting research, it is often impossible, impractical, or too expensive to collect data from all the potential units of analysis included in the research problem. From the population frame the required number of subjects, respondents, elements, firms are selected in order to make a sample. Stratified random sampling technique was used to select the sample. According to Saunders et al,' (2009) the technique produce estimates of overall population parameters with greater precision and ensures a more representative sample is derived from a relatively homogeneous population. The study group, the population into three strata i.e. low level, middle level and top level management. This in turn increases the precision of any estimation methods used.

Mugenda and Mugenda (2003) argue that if well chosen, samples of about 10% of a population can often give good reliability. Stratified random sampling technique will be used since population of interest is not homogeneous and could be subdivided into groups or strata to obtain a representative sample. The study selected a section and particularly the staffs who include departmental heads, assistant departmental heads and lower cadre staffs like the supervisors, accounts and other officers from the Nile commercial bank in South Sudan since they are the ones conversant with the factors contributing to the financial institutions crisis. From the above population, a sample of 20% was selected from within each group in proportions that each group bears to the study population. This sample was appropriate because the population is not homogeneous and the units are not uniformly distributed. Furthermore, owing to the big number of target population and given the time and resource constraints, the sampling at least 30 elements is recommended by Mugenda and Mugenda (2003). This generates a sample of 50 respondents which the study seeks information from. This made it easier to get adequate and accurate information necessary for the research.

3.4 Data Collection Instrument

With regard to factors contributing to the financial institutions crisis, the study used a survey questionnaire administered to each member of the sample population. The questionnaire had both open and close-ended questions. The close-ended questions provided more structured responses to facilitate tangible recommendations. The closed ended questions were used to test the rating of various attributes and this helps in reducing the number of related responses in order to obtain more varied responses.

3.5 Data Collection Procedure

The study administered the questionnaire individually to all respondents of the study. The study exercised care and control to ensure all questionnaires issued to the respondents was received and achieve this, the study maintained a register of questionnaires, which was sent, and which was received. The questionnaire were administered using a drop and pick later method.

3.6 Pilot Test

This is in line with a qualitative research design methodology employed in this research project. According to Saunders et al, (2009) validity is the degree by which the sample of test items represents the content the test is designed to measure. Content validity was employed by this study to measure of the degree to which data was collected using a particular instrument represents a specific domain or content of a particular concept. Mugenda and Mugenda (2003) contend that the usual procedure in assessing the content validity of a measure is to use a professional in a particular field. The study selected a pilot group of 10 individuals from the target population at Nile Commercial Bank in South Sudan to test the reliability of the research instrument. This was achieved by first stratifying the individuals according to level of management, level of education, number of years worked. The pilot data was not included in the actual study. The pilot study allows for pre-testing of the research instrument. The clarity of the instrument items to the respondents was established so as to enhance the instrument's validity and reliability. The pilot study enables the study to be familiar with research and its administration procedure as well as identifying items that required modification. The result helped the study to correct inconsistencies arising from the instruments, which ensured that they measure what is intended.

3.7 Data Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS (Version 21) and presented through percentages, means, standard deviations and frequencies. The information was displayed by use of bar charts, graphs and pie charts and in prose-form. This was done by tallying up responses, computing percentages of variations in response as well as describing and interpreting the data in line with the study objectives and assumptions through use of SPSS (version 20) to communicate research findings. Content analysis was used to test data that is qualitative in nature or aspect of the data collected from the open ended questions. This study was interested to assessing factors contributing to the financial institutions crisis with special focus on Nile Commercial Bank in South Sudan. According to Mugenda and Mugenda (2003) mean is the average of a set of scores or measurement. It is the most frequently used measure of central tendency. It is calculated by total number of scores. The mean therefore, takes into account each score or measurement in the distribution. Standard deviation is defined as the extent to which scores in a distribution deviate from their mean or average. The standard deviation therefore, involves subtracting the mean from each score to obtain the deviation.

3.0 Findings and discussion

3.1 Conflict of Interests and financial crisis.

Objective one has indicated that 97.8% agreed that conflict of interest contribute to financial crisis of Nile commercial bank whereas 2.2% of the respondents were of the contrary opinion financial service firms or their employees have the opportunity to serve their own interests, rather than the interests of their customers, by misusing information, providing false information, or concealing information. Manager of financial institution can expropriate the assets or resources of the shareholders and take them for themselves Mishkin and Eakins (2012). This implies that conflict of interest contribute to financial crisis of Nile commercial bank in South Sudan. The study sought to determine the extent to which conflict of interest contributed to financial crisis facing Nile commercial bank, from the research findings, most of the respondents as shown by 48.9% indicated to a great extent, 44.4% of the respondents indicated to a very great extent whereas 6.7% of the respondents indicated to moderate extent. This implies that conflict of interest contribute to financial crisis of Nile commercial bank to a great extent. The study sought to determine the extent to which respondents agreed with the above statements, from the research finding majority of the respondents strongly agreed that; Majority of financial institutions that failed to perform well are the work insiders, who are not reporting to the board of directors, the true financial statements that can reflect the really disclosure within the company financial system as shown by a mean of 1.38, Conflict of interest is the key issue that is obstructing expansion of any financial institutions worldwide. It develops from the attitude of the managers to choose the path of dishonesty within the system as shown by a mean of 1.47; others agreed that Tendency of having multiple objectives encouraged the mangers to be motivated by the commercial interest as shown by a mean of 1.53. The conflict of interest is the key issue that is obstructing expansion of any financial institutions, because the resources can be lose through corruption. As shown by a mean of 1.62 and that When the management have the mentality of developing different interest to enrich themselves, the vision and the mission of the company will be abandoned and it will led to the company liquidation as shown by a mean of 1.76, the study further revealed that due to increased complexity in financial services, products, affiliations, and arrangements with service providers, this gave rise to relationships that resulted to conflicts of interests characterized with self-dealing activities involving insiders in the bank who benefited inappropriately to the expense of the bank, the study also revealed that lack of clear policies governing bank operations resulted to conflicting roles and responsibilities. Among the unethical practices reported included failure by the branch managers to follow the laid procedures when issuing loans and corrupt credit officers who mostly granted loans to their relative's, and close friends.

3.2 Collateral Security and financial crisis

Objective two indicated that 97.8% agreed that lack of collateral security contributes to financial crisis of Nile commercial bank whereas 2.2% of the respondents were of the contrary opinion Capital inadequacy and lack of transparency and huge non-performing loans Adeyemi (2011).This implies that lack of collateral security contribute to financial crisis of Nile commercial bank. The study sought to determine the extent to which lack of collateral security contributed to financial crisis facing Nile commercial bank, from the research findings, majority of the respondents as shown by 53.3% indicated to a very great extent, 44.4% of the respondents indicated to a great extent whereas 2.2 % of the respondents indicated to moderate extent. This implies that lack of collateral security contribute to financial crisis of Nile commercial bank to a very great extent. The study sought to determine the extent to which respondents agreed with the above statements, from the research finding majority of the respondents strongly agreed that, the majority of the responders strongly greed that; when customers fail to pay back the money, the institution can sell their assets to recover loans through the court of law, if the borrower have debts and cannot afford his payments, the law will force that person to make payments on the secured loans before he pays the unsecured loan and other bills as shown by a mean of 1.40 in each case, loans secured with collateral security are good investment because the borrowers sometimes take caution when using the money, security can be used as deterrence to the borrowers who can misuse the money. The property of borrowers can be confiscated if the benefits as shown by a mean of 1.44, lenders of an unsecured loan cannot reclaim back the money from defaulters, because there was no collateral security used and therefore, the entire loans can be loss as shown by a mean of 1.47. Others agreed that, it is normal for all institutions, either in developing economics or advanced economics to ask anyone applying for loan to provide collateral security for the loan, before taking the funds as shown by a mean of 1.69, the research also revealed that because an unsecured loans were not guaranteed by any type of property, these loans placed the banks at greater risk of not reclaiming all of their money, Unlike mortgage loans, the interest on an unsecured loan is not tax deductible, and Collateral security" can make it relatively easy for a borrower to get financing since it's safer for lenders.4.5 Level of education Table 4.9: contributed to financial crisis.

3.3 Level of Education and financial crisis

Objective three has manifested that 88.89% respondents agreed that level of education contributed to financial crisis of Nile commercial Bank. Business owners with College degrees are generally found to be more successful Asoni and Sanadaji (2014). However, 11.11% disagree with the role of level of education in the financial institution failures The study sought to determine the extent to which level of education contributed to financial crisis facing Nile commercial bank, from the research findings, majority of the respondents as shown by 55.6% whereas 44.4% of the respondents very great extent. This implies that level of education contributed to financial crisis of Nile commercial bank to a great extent. The study sought to determine the extent to which respondents agreed with the above statements, from the research finding majority of the respondents agreed that, Educational background is very vital for efficient and effective management of financial resources of the firm as shown by a mean of 1.56, Education is acquired through formal education and back by training in the field of specialization, which contribute for the effective management of shareholders resources as shown by a mean of 1.58. Low education contributes to crisis within financial institutions, due to lack of proper management and short fall in relevant skills as shown by a mean of 1.60, and that in order to manage the financial institutions better, all managers are required to understand the basic guidelines and principles of corporate governance, which is important for effective management as shown by a mean of 1.73. The study also revealed that due to lack of professionalism and hospitality among management and Nile commercial bank staff, this led to poor rating of the bank, public lack confidence with management, clients complain of poor treatment by banks staff. It was suggested that Need assessment is required to enable to identify and train the required professional staff needed by the bank in order to cope up with completion.

3.4 CONCLUSIONS

The study established that conflict of interest contributed to financial crisis of Nile commercial bank to a great extent. The study revealed that lack of collateral contributes to financial crisis of Nile commercial bank to a very great extent, it also study also established that when customers fail to pay back the money, the institution can sell their assets to recover loans through the court of law, if the borrower have debts and cannot afford his payments, the law will force that person to make payments on the secured loans before he pays the unsecured loan and other bills, loans secured with collateral are good investment because the borrowers sometimes take caution when using the money, security can be used as deterrence to the borrowers who can misuse the money. the property of borrowers cannot be confiscated if the lenders of an unsecured loan fail to reclaim back the money from defaulters, because there was no collateral used as a security and therefore, the entire loans can be loss, it is normal for all institutions, either in developing economics or advanced economics to ask anyone applying for loan to provide security to secure loan, before taking the funds, the research also revealed that unsecured loans were not guaranteed by any type of property, this placed the banks at greater risk of not reclaiming all of their money, Unlike mortgage loans, the interest on an unsecured loan is not tax deductible, and Collateral security can make it relatively easy for a borrower to get financing since it’s safer for lenders.

The study revealed that level of education contributed to financial crisis of Nile commercial bank to a great extent. The study also established that educational background is very vital for efficient and effective management of financial resources of the firm, Education is acquired through formal education and back by training in the field of specialization, which contribute to the effective management of shareholders resources. Low education contributes to crisis within financial institutions; due to lack of proper management and short fall in relevant skills, in order to manage the financial institutions better, all managers are required to understand the basic guidelines and principles of corporate governance, which is important for effective management. the study also revealed that due to lack of professionalism and hospitality among management of Nile commercial bank staff, this led to poor rating of the bank, public lack confidence with management, clients complaint of poor treatment.

Recommendations

The management of Nile commercial bank should have monitoring systems in place to detect employee conduct that conflicting with the bank’s responsibilities as a fiduciary. Systems should be sufficient to alert the bank when a bank employee serves as co- fiduciary with the bank for a fee, competes with the bank, receives loans from fiduciary clients, accepts gifts or bequests from fiduciary clients, receives goods and services from vendors, or executes personal securities transactions that are counter to the best interests of account beneficiaries.

The study recommends that the management of Nile commercial bank should come up with structured solutions and strategies such as international diversification to mitigate the effect of unsecured commercial banks loans. Nile commercial bank should come up with strategies and products to assist them cope with these challenges such as extending to alternative markets from what they had predominantly served and diversifying their product range, the management of Nile commercial bank should develop credit procedures, policies and analytical capabilities and these efforts should be expanded into full credit management including origination, approval, monitoring and problem management tailored to the needs of branch.

The study recommends that the management of Nile commercial bank should consider investing in employee training and management, this will help to enhanced banks image, e.g., conducting ethics training, increased efficiencies in processes, increase job satisfaction and morale among employees, increase employee motivation resulting in financial gain, increase capacity to adopt new technologies and methods, Increase innovation in strategies and products and reduce employee turnover. It should also introduce enforcement restrictive loans covenant agreement to monitor the activities of borrowers after receiving the loans to avoid diversion from original plan of the investment.

Suggestions for further research:

The effect of Moral hazard in the banking sector:

Moral hazard can be investigated through further research to determine amicable solutions to mitigate more risk and bankruptcy in the future. This infamous practice has affected everyone in the market and it is the public interest to come up with the effective and efficiency market that can provide adequate information to protect lenders or creditors.

The effectiveness of Loans covenant restrictive agreement on borrowers:

The notion of loans covenant is good idea because it can prevent the borrowers to engage in any activity that has not been agreed upon by the both parties. This idea can deter the borrower to avoid borrowing funds with the intention of engaging in any activities that has not been approved by the lender of funds. It has to be check if it is really implement and the outcome or effective of implementation by the lenders.

Quality of regulatory applied in management of financial institutions

To avoid misbehaving when borrow funds and to protect the interest of lenders and public, the law that has been passed need to be check, if they are relevant to the current situation of the 21th century. Western countries are advanced in both quality of regulatory as well as efficient and effective information in the financial markets, however, despite the strong and viable system, dishonesty still occurred leading to the loss of billions of dollars and put off thousands of people from their work, such as Enron Corporation and world.com.

Commitment by political post holders to prevent unethical behaviours:

In the developing countries, political leaders are not committed to eradicate unethical behaviours in both the private and public sector, this create a loophole for leaders of both public and private sectors to expropriate the resources for their own benefits in the expenses of the other venerable people, therefore, the commitment of political leaders needs to be check.

The effectiveness of credit reference bureau.

The effectiveness of credit reference bureau needs to be research in order to see, if it is effective to prevent dishonest individuals form borrowing loans from banks using one collateral security. The sharing of the information of all credits can create effective and efficient markets to protect lenders and used as a deterrence and prevent defaulters from exploited the opportunities of the information asymmetric in the weak financial markets

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