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Case Study NJFPM

Credit Management Approaches and Financial Performance of Industrial Banks

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Abstract

The general objective of this study was to examine credit management approaches and the financial performance of industrial banks. It was based on three specific goals: (i) to investigate the connection between client evaluation and industrial financial performance, (ii) to investigate the connection between credit collection methods and industrial financial performance, and (iii) to examine the relationship between credit monitoring techniques and financial performance of industrial Banks. The study was based on a correlation research design and a quantitative approach. Data was collected using closed-ended questionnaires. Sixty-five respondents were involved in the study and were all selected by use of a census enquiry. Data collected was entered into the SPSS computer package. Using the SPSS, Pearson's correlation analyses were carried out to establish the relationship between study variables. The findings showed that: (i) there is a statistically significant positive association between clients' assessments and industrial banks' financial performance. (r = .249; Sig-value = .046); (ii) there is a statistically significant positive relationship between credit collection techniques and financial performance of industrial Banks (r = .513; Sig-value = .000); and (iii) there is a statistically significant positive relationship between credit monitoring techniques and financial performance of industrial Banks (r = .255; Sig-value = .040). It was recommended that credit officers in industrial banks should start treating the issue of collateral security more seriously during appraisal of credit applicants. In this case, all credit applicants should be required to offer collateral security to the bank before their credit applications are approved. Furthermore, on top of the other credit collection techniques, industrial banks should start offering discounts to clients who clear their loan obligations in time, should start attaching collateral assets of defaulting credit customers and should even use the services of private collection agencies during credit collection.

Keywords: Credit management, financial performance, industrial banks, clients' appraisal, credit monitoring

INTRODUCTION

Financial performance was regarded the dependent variable in this study, and it is described as the reflection of how a company's (bank's) resources are employed in the manner that allows it to fulfil its objectives. Several metrics have been developed to assess the financial performance of banks. Return on Equity, Return on Asset, and Net Interest Margin are some of these metrics. Return on Equity is a financial metric that assesses a company's profitability in relation to the total amount of invested or reported shareholder equity. While Net Interest Margin measures the difference between interest revenue generated by banks and interest paid out to their lenders (e.g., deposits), in proportion to the amount of their (interest-earning) assets, Return on Asset measures the ability of bank management to generate income by utilizing company assets at their disposal. It is typically represented as a percentage of the average amount

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of assets that a financial institution made revenue on during a certain time period (the average earning assets), divided by the average amount of assets that financial institution earned revenue on during that time period (loans and other assets earned less interest paid on borrowed money). Credit management is one of the most important activities that banking institutions have to undertake in order to survive ever-growing competition in the banking industry. It is considered to be a prerequisite for a banks' stability and continuing profitability since deteriorating credit performance is one of the common causes of poor financial performance of banking institution. Credit management is the act of ensuring that clients pay for goods or services given to them on credit. Credit management, according to Brealey and Myers [1], is the process through which a business maintains an appropriate level of credit and manages it well. Establishing policies and procedures for extending credit to customers, collecting payments, and lowering the risk of nonpayment are all included in credit management. Such practices aim to protect the company's investments in debtors while optimizing operating cash flows and hence improving financial performance. There have been several empirical studies on the relationship between credit management techniques and financial performance of financial organizations. Alshatti [2] investigated the influence of credit management on Jordanian commercial banks' financial performance the study discovered that credit management practices such as provision for credit loss and credit interest had a favorable influence on Jordanian commercial banks' financial performance. Dieudone [3] assessed how credit management affected the success of Ghanaian microfinance institutions financially. The study's conclusions indicate that customer monitoring and credit risk management are examples of credit management techniques that have a positive effect on the financial performance of microfinance institutions in Ghana. Mureithi [4] looked into how credit management techniques affected Kenyan commercial banks' financial results. The study discovered that credit management approaches such as customer evaluation, collection arrangement, and credit risk control had a favorable impact on the financial performance of Kenyan commercial banks. Mardessi and Ben Arab [5] conducted research in Somalia on how credit risk management affects bank performance in Mogadishu. The study found that components of credit risk management like credit risk identification, credit risk monitoring and credit risk analysis have a positive effect on performance of industrial Banks in Mogadishu Somalia. Unlike Mardessi and Ben Arab [5] who looked at credit risk management and performance of industrial Banks in Mogadishu Somalia, the current study focused on credit management practices to find out how they relate with financial performance of industrial banks in Mogadishu Somalia. Salaam Somali Bank is one of the many financial institutions that has for more than 10 years, been offering Islamic banking products to the people of Somalia in general and Mogadishu in particular. As a practice seeking to maximize returns on these products, Salaam Somali Bank carries out different credit management practices like client appraisal and also employs credit monitoring and credit collection techniques. Unfortunately, these practices seem not to be bringing the expected returns since the bank has faced the problem of poor financial performance. Indicators of poor financial performance are reflected in the SSB Financial Statements for the Years Ending December 31st.

RESEARCH PROBLEM

Effective credit management practices are believed to have a significant contribution towards profitability and overall financial performance of any banking institution. Furthermore, ignoring credit management features would be extremely costly for banks, given that interest is the primary source of income for banks. Currently, credit management is also one of the policies being implemented in industrial Banks in Mogadishu Somalia, in an attempt to maximize returns on the different credit products offered to customers. In this case, the bank carries out regular client appraisal and also employs credit monitoring and credit collection techniques.

Unfortunately, these practices seem not to be bringing the expected returns since the bank has faced the problem of poor financial performance.

RESEARCH OBJECTIVE

Both broad and detailed objectives served as the study's guiding principles.

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General Objective of the Study

The overall objective of this study was to investigate the relationship between credit management approaches and financial performance of industrial banks.

Specific Objectives of the Study

The study sought to specifically achieve the following specific objectives.

1. To investigate the association between client assessment and industrial bank financial performance.
2. To examine the connection between credit collection tactics and the financial performance of industrial banks.
3. To explore the relationship between credit monitoring strategies and industrial banks' financial performance.

LITERATURE REVIEW

The Asymmetric Information Theory served as the foundation for their research. Dung [6], as mentioned by Matunda [7], pioneered asymmetric information theory. The theory details the situation in which related information is not available both parties concerned in any transaction. For instance, in a situation where the lender does not have sufficient information relating to the borrower as compared to the borrower with full information on returns and risks associated with projects invested is referred information asymmetry in the capital market. The lender on the other hand does not have sufficient information relating to the borrower. According to the idea, financial institutions confront two challenges due to information asymmetry: monitoring entrepreneurial behavior and adverse selection, which causes mistakes in lending choices, and moral hazard. To control these problems and even improve financial performance, the current study proposed that banks need to employ different credit management practices like clients' appraisal, credit collection techniques and credit monitoring techniques. Such practices help reduce information asymmetry, safe guard the bank's investments in debtors and optimize operational cash flows thereby enhancing financial performance of the bank.

Commercial banks' profitability is heavily reliant on the efficacy of their credit management practices, as interest generated on loans granted to small and medium-sized businesses accounts for the majority of their revenue. Credit management is described as the act of ensuring that clients pay on credit for the goods or services given to them. It is considered to be a prerequisite for a banks' stability and continuing profitability since deteriorating credit performance is one of the common causes of poor financial performance of banking institutions. Credit management is the act of ensuring that clients pay for the items given or services rendered to them on credit.

Credit management, according to Brealey and Myers [1], is a collection of procedures and strategies a business uses to maintain a reasonable level of credit and efficiently manage it. Credit management is putting in place rules and procedures for giving credit to consumers, collecting payments, and reducing the risk of nonpayment. Such practices aim to protect the company's debtor investments while also optimizing operating cash flows, hence improving the company's financial performance. The current study seeks to examine credit management practices like clients' appraisal, credit collection techniques and credit monitoring techniques and how each of these practices relate with the financial performance of a bank.

RESEARCH GAPS

It is clear from the aforementioned literature study that much has been published about customer assessment. However, it appears that little is done by previous researchers in relating this variable with financial performance of organizations especially in the context of banking institutions in low developed countries like Somalia. Following the foregoing assessment of the literature, it is also clear that the majority of the work evaluated was purportedly done in earlier years of 2018 and below. As a result, research gaps have emerged. The current study tried to close these gaps by revealing up to date

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information on the relationship between clients' appraisal and financial performance industrials banks Mogadishu Somalia.

MATERIALS AND METHODS

Research design is the framework adopted to collect and analyze data so that useful information can be derived from it. A correlation research design was employed by the researcher. A correlation research design, aims to determine the nature of correlations between study variables. Therefore, the correlation design was appropriate for examining the relationship between credit management approaches and financial performance of industrial banks.

In this case, the researcher correlated the mean responses of credit management practices with those of financial performance of industrial Banks Mogadishu Somalia to establish the relationship between the two variables. A quantitative approach was used in getting this relationship.

Study Population

Population refers to the total group of individuals, events, or items of interest that the researcher desires to explore. The population of this study was composed of branch managers, tellers, credit analysts, credit administrators, and loan officers working within industrial Banks in Mogadishu Somalia. These were 65 people according to the information obtained from industrial Bank Mogadishu Somalia.

Sample Size

The sample size is a portion of people that a researcher selects from the whole population targeted for the study. It is said that when the population is small, sampling may be ineffective since any sample taken may not be representative of the community from which it was drawn, as in the case of this study. Accordingly, all the 65 employees in industrial Bank Mogadishu Somalia were involved in the current study.

Sampling Techniques

The researcher selected all the 65 employees in industrial Banks Mogadishu Somalia using a census inquiry. This entails selecting all elements in the population, which removes sampling bias, which would otherwise have jeopardized the correctness of the study conclusions (Table 1). Because the target population was small and statistically manageable, a census enquiry was chosen for the study.

Table 1. Displays the population's structure, sample size, and sampling methods.

Category	Population	Sample	Sampling technique
Branch managers	2	2	Census
Tellers	8	8	Census
Credit analysts	2	2	Census
Credit administrators	6	6	Census
Credit officers	47	47	Census
Total	**65**	**65**	

Source: *industrial Banks, 2022.*

DATA COLLECTION TOOL

To collect data from all research participants, closed-ended questionnaires were employed. Questionnaires were appropriate for this study since they are routinely used to acquire essential information about a population. Closed-ended questions were utilized extensively since they are simple to measure and analyze. Brealey and Myers [1] also advised for the use of questionnaires since data acquired from closed-ended questions is easier to analyze than data gained from open-ended questions. The responses to the questionnaires were based on a 5-point Liker-type scale where; 1 = *strongly disagree*, 2 = *disagree*, 3 = *neutral*, 4 = *agree*, 5 = *strongly agree*.

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Data Collection Procedure

After defense of the proposal, the researcher hired a research assistant in Somalia who was sent questionnaires and asked to distribute them to the selected respondents in the study area. After collecting the data, the research assistant sent the questionnaire back to the researcher in Somalia who then entered them in the SPSS to for analysis.

DATA ANALYSIS

Data analysis is a process for reducing and organizing data in order to provide findings that require interpretation. Utilizing both descriptive and inferential statistics, the collected data was examined. The descriptive statistics were supplied in the form of tables. Pearson correlation analysis was used to test hypotheses and determine the link and direction of the association that exists between credit management practices and financial performance of industrial banks (Table 2).

Respondents were asked to declare their gender by checking the box next to the appropriate choice (male or female). According to Table 2's findings, out of 65 respondents, 45 (69.2%) were male and 20 (30.8%) were female. This suggests that industrial Banks employs both men and women employees and it is taking steps towards gender main streaming a practice that has been advocated for by scholars like who indicated that gender main streaming can result in more social sensitivity when solving problems in organizations while indicated that gender main streaming results into better company performance.

According to Table 3's findings, 40 (61.5%) of the respondents, or 13 (20.0%), were between the ages of 20 and 29 years. Six (9.2%) of the respondents were between the ages of 40 and 49 years, while six (9.2%) were between the ages of 50 years and over. These findings indicate that industrial Banks employs a proper mix of young and old experienced employees. This practice has been advocated for by scholars like Alobaidy et al. (2020) [8]. He stated that having a broad age group promotes and creates stronger working connections and leads to a boost in corporate performance.

In Table 4, it can be observed that majority of respondents held bachelor's degree, followed by diploma holders and master's degree holders in the orders of 39 (60.0%), 20(30.8%), and 6 (9.2%), respectively. This shows that most of the people employed in industrial Banks are reasonably educated which suggests that they could effectively carry out their assigned duties thereby enhancing performance of the bank. This is based on Meyer and Norman [9] who indicated that there is a positive relationship between education level of employees and profitability of an organization with organizations employing highly educated employees earning more profits than those having workers with low education levels.

Table 2. Gender of respondents.

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Male	45	69.2	69.2	69.2
	Female	20	30.8	30.8	100.0
	Total	65	100.0	100.0	

Source: *Primary data (2022).*

Table 3. Age of respondents.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20–29	13	20.0	20.0	20.0
	30–39	40	61.5	61.5	81.5
	40–49	6	9.2	9.2	90.8
	50 and above	6	9.2	9.2	100.0
	Total	65	100.0	100.0	

Source: *Primary data (2022)*

Table 4. Level of education of respondents.

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		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Diploma	20	30.8	30.8	30.8
	Degree	39	60.0	60.0	90.8
	Masters	6	9.2	9.2	100.0
	Total	65	100.0	100.0	

Source: *Primary data (2022).*

Table 5. Years of service.

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Less than 1 year	7	10.8	10.8	10.8
	1–5 years	24	36.9	36.9	47.7
	6–10 years	23	35.4	35.4	83.1
	Over 10 years	11	16.9	16.9	100.0
	Total	65	100.0	100.0	

Source: *Primary data (2022).*

The study results in Table 5 indicate that 7 (10.8%) of the respondents had worked for Salam Somali bank for a period of less than 1 year. There were 24 (36.1%) who had spent between one and five years. Those that had spent between 6 and10 years were 23 (35.4%) while those that had spent over 10 years were 11 (16.9%). The findings indicate that most of the respondents had worked for a period of more than 5 years, which implies that they were very well conversant with the information that the study sought for. According to Sethumadevan et al. [10], the longer one works in an organization, the better they understand the organization and hence the greater their capacity to communicate organizational difficulties.

Table 6 presents study results that indicate that 54 (83.1%) of the respondents strong agreed and 11 (16.9%) agreed when asked whether industrial banks appraise all its credit applicants. Since most respondents agreed with this statement, it is clear that industrial banks evaluate all of their credit applicants. These findings support Deari's [11] claim that MFIs employ customer assessment in credit management to a large extent. Furthermore, they proved that customer assessment is a valid technique for decreasing credit risk and improving financial institution performance. They advised financial institutions to strengthen their client evaluation processes in order to improve their credit performance.

Table 6. Industrial banks appraise all its credit applicants before approving them.

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Agree	11	16.9	16.9	16.9
	Strongly agree	54	83.1	83.1	100.0
	Total	65	100.0	100.0	

Source: *Primary data (2022).*

Table 7. The client appraisal process captures the repayment capacity of the applicants.

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	5	7.7	7.7	7.7
	Disagree	4	6.2	6.2	13.8
	Agree	56	86.2	86.2	100.0
	Total	65	100.0	100.0	

Source: *Primary data (2022).*

Table 7 presents study results that indicate that 4 (6.2%) of the respondents strongly disagreed, 5 (7.7%) disagreed and 56 (86.2%) agreed when asked whether the clients' appraisal process captures the repayment capacity of the credit applicants. Since the majority of respondents indicated that they agreed

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with this statement, it is clear that industrial banks' client appraisal processes accurately reflect the ability of credit applicants to repay their loans. These results support Nyorekwa's [12] assertion that a bank must consider all significant aspects that could affect a customer's financial health before making a loan.

Table 8 presents study results that indicate that 1 (1.5%) of the respondents strongly disagreed, 42 (64.6%) disagreed, 14 (21.5%) agreed, and 8 (12.3%) strongly agree. When asked if components of collateral security are considered when rating clients, she enthusiastically agreed. Since majority of the respondents answered in disagreement to this item, it indicates that aspects of collateral security are not considered while appraising clients in industrial Banks these findings disagree with Cadot and Kayser [13] who supported the idea of asking for collateral security from clients before giving them loans since this requirement can have a disciplinary effect on the entrepreneurs' behavior. Besides a collateral security reduces the banks "exposure to risk", this can lead them to moderate their monitoring efforts and thus their ability to avoid lending to unprofitable or risky projects.

Table 9 shows study findings that, when asked whether client appraisal also takes into account the character of the clients, 8 (12.3%) of respondents severely disagreed, 4 (6.2%) disagreed, 47 (72.3%) agreed, and 6 (9.2%) highly agreed. Since the majority of respondents said that they agreed with this statement, it can be concluded that in industrial banks, customer character is taken into account while evaluating clients. These results support Ali and Oudat [14], who emphasized that commercial banks should evaluate the borrower's behavior and character before increasing the loan facility because it has a substantial impact on the banks' financial performance.

Table 8. Aspects of collateral security are always considered while appraising clients.

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	1	1.5	1.5	1.5
	Disagree	42	64.6	64.6	66.1
	Agree	14	21.5	21.5	87.6
	Strongly agree	8	12.3	12.3	100.0
	Total	65	100.0	100.0	

Source: *Primary data (2022).*

Table 9. Client appraisal also considers the character of the customers seeking credit facilities.

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	8	12.3	12.3	12.3
	Disagree	4	6.2	6.2	18.5
	Agree	47	72.3	72.3	90.8
	Strongly agree	6	9.2	9.2	100.0
	Total	65	100.0	100.0	

Source: *Primary data (2022).*

When asked if client appraisal is a viable technique for credit management in SSB, respondents' responses are shown in Table 10, with 8 (12.3%) strongly disagreeing, 3 disagreeing, 43 agreeing, and 11 strongly agreeing. Because the majority of respondents agreed on this issue, it implies that client evaluation is a realistic technique for credit management in industrial banks. These findings concur with those of Aziz and Maliha [15], who discovered that customer appraisal is a valid and required method for credit management. According to the study, a unit rise in client assessment leads to an increase in financial institution credit performance.

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The results in Table 11. show a positive relationship between clients' appraisal and financial performance of industrial Banks Mogadishu Somalia (r =. 249). A Sig-value of 0.046, which was smaller than 0.05., indicating statistical significance, showed there was a link. Therefore, the null hypothesis which stated that "there is no statistically significant relationship between clients' appraisal and financial performance of industrial Banks Mogadishu Somalia was rejected and the alternative accepted." As a result, it was determined that there is a statistically significant positive association between client assessment and financial performance of Mogadishu Somalia industrial banks. These findings concur with Seruwagi et al.'s [16] discovery that customer assessment is a feasible method for decreasing credit risk and improving financial institution performance. They advised that financial institutions improve their client evaluation processes in order to improve their credit performance.

Table 12 shows survey findings indicating, when asked if the bank offers discounts to customers who pay off their loan obligations on time, 8 (12.3%) of respondents strongly disagreed, 42 (64.6%) disagreed, and 15 (23.1% agreed. Because the majority of respondents disagreed with this item, it implies that industrial Banks Mogadishu Somalia does not give discounts to clients who pay their loan obligations on time. These findings contradict Mbae et al. [17], who emphasized the importance of providing credit reductions to consumers who pay their bills on time, as this acts as an incentive for quick payment while also lowering the risk of non-payment among credit customers.

Table 10. Client appraisal is a viable strategy for credit management in industrial banks.

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	8	12.3	12.3	12.3
	Disagree	3	4.6	4.6	16.9
	Agree	43	66.2	66.2	83.1
	Strongly agree	11	16.9	16.9	100.0
	Total	65	100.0	100.0	

Source: *Primary data (2022).*

Table 11. Correlation results.

		Clients' appraisal	Financial performance of Salam Somali bank
Clients' appraisal	Pearson correlation	1	.249*
	Sig. (2-tailed)		.046
	N	65	65
Financial performance of Salam Somali bank	Pearson correlation	.249**	1
	Sig. (2-tailed)	.046	
	N	65	65

Table 12. The bank offers discounts to clients who clear their loan obligations in time.

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	8	12.3	12.3	12.3
	Disagree	42	64.6	64.6	76.9
	Agree	15	23.1	23.1	100.0
	Total	65	100.0	100.0	

Source: *Primary data (2022).*

Table 13 shows survey findings indicating, when asked whether the bank typically extends the credit collection term, 3 (4.6%) respondents strongly disagreed, 8 (12.3%) disagreed, and 54 (83.1%) agreed. The majority of respondents disagreed with this item, which suggests that commercial banks in Mogadishu, Somalia, frequently lengthen the time period for collecting credit. These findings agree

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with who cited extension of credit collection periods as one of the strategies to help in recovering the credit from bank clients.

Table 14 shows survey findings showing, when asked whether SSB employs court litigation in cases of defaulting credit clients, 56.2% agreed, 5.7% disagreed, and 4.2% strongly disagreed. Because the majority of respondents agreed on this item, it implies that SSB employs court litigation in cases of defaulting credit consumers. These findings are consistent with those of Cheng and Qu [18] who suggested that banks can minimize the credit risk by using different approaches like taking legal action on clients who fail to clear their obligations in time.

Table 13. The bank usually extends the credit collection period to help in recovering the loans.

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	3	4.6	4.6	4.6
	Disagree	8	12.3	12.3	16.9
	Agree	54	83.1	83.1	100.0
	Total	65	100.0	100.0	

Source: *Primary data (2022)*

Table 14. Industrial banks also use court litigation in case of defaulting credit customers.

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	4	6.2	6.2	6.2
	Disagree	5	7.7	7.7	13.8
	Agree	56	86.2	86.2	100.0
	Total	65	100.0	100.0	

Source: *Primary data (2022).*

Table 15. Correlation results.

		Credit collection techniques	Financial performance of Salam Somali bank
Credit collection techniques	Pearson correlation	1	.513**
	Sig. (2-tailed)		.000
	N	65	65
Financial performance of DFCU Bank	Pearson correlation	.513**	1
	Sig. (2-tailed)	.000	
	N	65	65
**Correlation is significant at the 0.05 level (2-tailed).			

The results in Table 15 show a positive relationship between credit collection techniques and financial performance of industrial Banks Mogadishu Somalia (r = .513). The association had a Sig-value of.000, which was smaller than.05, indicating that it was statistically significant. Therefore, the null hypothesis which stated that "there is no statistically significant relationship between credit collection techniques and financial performance of industrial Banks Mogadishu Somalia was rejected and the alternative accepted." As a result, it was shown that credit collection methods and the financial performance of industrial banks in Mogadishu are statistically significantly positively correlated. Somalia. These findings agree with Bogen et al. [19] who revealed that there is a strong and significant positive relationship between credit collection techniques and financial performance of a bank. The findings also agree with Shukla et al. [20] found that credit collection techniques had a significant positive effect on financial performance of a bank.

In response to the question of whether a thorough client monitoring report is always created, the study's findings are shown in Table 16, where it is revealed that 23 (35.4%) respondents strongly

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disagreed, 29 (44.6%) disagreed, and 13 (20.0%) agreed. Because the majority of respondents disagreed with this item, it suggests that thorough client monitoring reports are rarely issued in industrial banks. These findings disagree with Khan and Algarni [21] who stressed that a good monitoring system should be able to identify control deficiencies and be reported immediately to management of the firm.

Table 16. A detailed clients monitoring report is always produced.

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	23	35.4	35.4	35.4
	Disagree	29	44.6	44.6	80.0
	Agree	13	20.0	20.0	100.0
	Total	65	100.0	100.0	

Source: *Primary data (2022).*

CONCLUSIONS

The study intended to determine whether there is a statistically significant association between client assessment and industrial bank financial performance. Consequently, the researcher computed inferential statistics based on a Pearson's Product-Moment Coefficient where the mean scores for clients' appraisal were correlated against those of financial performance of industrial Banks Mogadishu Somalia. The findings showed that there is a statistically significant positive association between the financial performance of industrial banks in Mogadishu and the opinions of their clientele. Somalia (Sig-value = .046, r = .249. Therefore, the null hypothesis which stated that "there is no statistically significant relationship between clients' appraisal and financial performance of industrial Banks Mogadishu Somali was rejected and the alternative accepted." As a result, it was determined that there is a statistically significant positive association between client assessment and industrial bank financial performance. it was observed that aspects of collateral security are not considered while appraising clients in industrial Banks Mogadishu Somalia.

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