

MAKERERE



UNIVERSITY

**CREDIT RISK MANAGEMENT PRACTICES IN FINANCIAL INSTITUTIONS IN
UGANDA AND HOW IT AFFECTS BANK PERFORMANCE**

LAMECK MIKE SSONKO

2011/HD06/3261U

SUPERVISOR: Dr. NDANDIKO CHARLES

**A THESIS SUBMITTED IN PARTIAL FULFILMENT FOR THE AWARD OF
MASTERS OF BUSINESS ADMINISTRATION (MBA) DEGREE OF MAKERERE
UNIVERSITY**

JULY, 2013

ABSTRACT

The purpose of the study was to establish the extent to which credit risk management is implemented and what its attributes are if the implementation is sound, to a financial institution performance. The objectives of the study included: to find out the principals followed by banks to come up with credit risk policies, to find out whether banks have sound credit risk policies in place, to find out whether the staff appreciate the loan lending process, to find out the major causes of loan default and to establish the effect of the credit risk management policies on institutional financial performance

The study used cross-sectional survey research design adopting both quantitative and qualitative approaches. The researcher used a sample of 60 respondents. Simple random sampling and Purposive sampling was used. Methods of data collections were questionnaires and interviews guides. Pearson's correlation co-efficient was used to determine whether there is linear relationship between the independent (IV) and dependent variables (DV). Qualitative data was analyzed through content analysis.

The research concluded that there is a strong positive relationship between credit risk management policies and institutional financial performance whereby effective credit risk management policies is related to high institutional financial performance and vice versa.

.The study recommends that banks should remunerate their staff to avoid cases of being compromised in the lending process and should be provided access to both qualitative and quantitative risk data.