ABSTRACT

The purpose of the research study was to explore the impact of credit risk management on the performance of commercial banks in Uganda: a case study. The study set to establish the different types of credit risks, ways of mitigating credit risk, and impact of credit risk management on the performance of commercial banks.

Primary data was collected using questionnaires, and secondary data was obtained through analyzing the available literature from book, reports and journals. The study consisted of 50 respondents who were selected using both stratified random sampling and purposive sampling techniques.

The study established that; default risk, market risk, credit spread risk, and interest rate risk were identified as major types of credit risks. Customer satisfaction, shareholder value growth were the major impacts of credit risk management on bank performance in Uganda.

The study revealed that there was a significant positive relationship between all the study variables information sharing, risk management, and financial performance. Results from the regression analysis showed that information sharing and risk management significantly predicted 58.6% of financial performance of commercial banks.

The study recommends that banks should build strong information sharing premises like credit bureaus, enrich their risk management committee, credit committee and audit function so as to mitigate risks. Recruitment of qualified staff and training should be a common practice in the banking industry in order to enhance risk management policies and hence improved financial performance.

The researcher recommends that communication should be strengthened to include credit risk management information. Management should realize that credit risk management obeys can compromise the growth of the bank and should henceforth be treated with care.