CREDIT RISK ASSESSMENT, CREDIT RISK MANAGEMENT AND LOAN PORTFOLIO PERFORMANCE IN UGANDA'S BANKING SECTOR

ABSTRACT

This study aimed at examining the relationship between credit risk assessment, credit risk management, and loan portfolio performance in Uganda's banking sector. There is an increasing decline in loan portfolio performance among banks in Uganda as evidenced by the increase in non-performing loans which has led to insolvency, liquidation and close of some banks.

This study was guided by the following research objectives; to examine the relationship between credit risk assessment and credit risk management, relationship between credit risk management and loan portfolio performance, relationship between credit risk assessment and loan portfolio performance in the banking sector and finally to examine the mediating role of credit risk management on the relationship between credit risk assessment and loan portfolio performance.

The study used a cross sectional research design. Descriptive and analytical measures were used to describe the behavior of the data. Correlation and regression estimates were used to investigate the relationship between the variables of the study.

Findings from the study revealed that credit risk assessment and credit risk management are significant predictors of loan portfolio performance in Uganda's banking sector. Credit risk management has a fully mediation on the relationship between credit risk assessment and loan

portfolio performance of banks. Therefore, credit risk assessment and credit risk management are significant predictors of loan portfolio performance in Uganda's banking sector. Thus, banks should carry out credit risk assessment first before credit risk management so as to improve their loan portfolio performance, government through BOU to set up credit risk assessment and credit risk management policies that all banks have to adhere to so to improve loan portfolio performance and boost performance in the banking sector.