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# THE EFFECT OF CREDIT RISK MANAGEMENT ON THE PERFORMANCE OF LOAN PORTFOLIO IN CENTENARY BANK, ENTEBBE ROAD BRANCH

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## ABSTRACT

This study analysed the effect of credit risk management on the performance of loan portfolio in Centenary Bank, Entebbe Road Branch. Specifically the study reviewed the effect of credit risk assessment on loan portfolio performance, the effect of credit monitoring on loan portfolio performance and the effect of credit risk control on loan portfolio performance in Centenary Bank, Entebbe Road Branch. The study objectives were; to examine the effect of credit risk assessment on loan portfolio performance in Centenary Bank, Entebbe Road Branch, to assess the effect of credit monitoring on loan portfolio performance in Centenary Bank, Entebbe Road Branch and to establish the effect of credit risk control on loan portfolio performance in Centenary Bank, Entebbe Road Branch. A cross sectional design was used in the study. According to Litze (2007), this design utilises different groups of people who differ in the variable of interest, but share other characteristics such as socioeconomic status, educational background and ethnicity. For this study the population of interest met the conditions. Data was collected by use of questionnaire, interview guide and documentary review. Data was analysed both quantitatively and qualitatively. The study concluded that credit risk assessment affects the performance of the loan portfolio as it reduces the chances of loss by the Bank. Credit monitoring affects loan portfolio performance however, this has to be continuous, the Bank does not need to wait to begin monitoring when the client develops signs of inability to repay. Credit risk control affects loan portfolio performance this is because, administering the credit facility ensures orderly and full payment. This helps the clients to be able to fulfil their repayment requirements. The study recommends that; Banks need to strictly assess their clients to reduce Non Performing Assets. Credit monitoring should be vigilantly implemented for better performance of the loan portfolio. Credit risk control needs to be fully implemented such that clients do not forfeit their obligations to the Banks.