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Credit Risk Management and Performance of Commercial Banks: A Case Study of Global Trust Bank

This study looked at Credit Risk Management and the Performance of Commercial Banks in Uganda with Global Trust Bank as a case study, with a view of establishing the relationship between credit risk management practices and Bank performance. This study had objectives of examining the credit risk management practices in Global Trust Bank, examining the contribution of credit risk management (CRM) to the performance of the Bank, identify challenges encountered in credit risk management and suggest solutions to identified challenges. Self-Administered questionnaires were used in this research. Perceptions and beliefs were sought to a five-point Likert Scale, five being the highest (Tull & Hawkins, 1993). The instrument also contained open-ended questions which solicited for qualitative views of bankers about CRM in Global Trust Bank. Based on data collected through a semi-structured interview questionnaire, key informants interviews and secondary data analysed qualitatively and quantitatively, the findings of the study established that indeed effective credit risk management has a positive relationship with bank performance in terms of liquidity, profitability, capital adequacy, earnings and asset quality. The study concludes that although effective credit risk management has a positive relationship with bank performance it does not work in isolation, it is also important to have other risks like operational risk, market risk, strategic risk and liquidity risk effectively managed. Therefore, it is important for commercial banks like Global Trust Bank to have a comprehensive risk management framework for all risks.
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Therefore, a number of recommendations were suggested among which included; separation of credit origination, vetting and administration. Secondly, to constantly monitor credit granting, credit vetting, classification and provisioning, credit administration and risk mitigation. It is hoped that these recommendations will effectively enhance the credit risk management framework in commercial Banks and thus better performance of commercial Banks.

Key Words: Credit, M management, Performance, Commercial Banks**.**