Credit Risk Management and the Profitability of Commercial Banks in Uganda: A case study of Barclays Bank, Kitoro Branch, Entebbe

Biibi Julius

Keywords: Credit Risk Management, Profitability, Commercial banks

Introduction

The study examined the role of credit risk management on profitability in Uganda with a focus on Barclays Bank Uganda.

Objectives

The study was guided by three objectives;

1. to examine how credit monitoring enhanced returns on assets at Barclays Bank Uganda,
2. to assess how debt collection enhanced loan recovery at Barclays Bank Uganda, and
3. to examine how credit risk governance ensured improved liquidity at Barclays Bank Uganda.

Methodology

The study used a case study design. The study population comprised 67 individuals. The study used a sample size of 57 respondents. Primary data were collected through self-administered questionnaires and interviews. Secondary data were collected through document review. The collected data were edited, coded and cross-checked for completeness using Ms Excel and exported to SPSS for analysis. After processing the summarized data were analysed using both descriptive statistics and inferential statistics. Inferential statistics based on correlation and regression analysis to test the hypothesis for generalization.

Key findings

The study found that the Adjusted R square was .243 which was an indication that 24.3% of the changes that occurred in profitability was due to changes in credit risk management. The test also revealed that Barclays Bank's credit management had a positive relationship with profitability.

Key recommendations

The study suggested that Barclays Bank should enhance its credit risk monitoring techniques to improve profitability. In addition, the study recommended that credit risk identification should not be a one-off thing as some risks could be hard to detect or overlooked by those tasked to identify them.

Key references

1. Aduda, 2011): Financial Stability Analysis Using Aggregated Data". Bis.org America": Proceedings of a Conference Held in Washington D.C. April.
2. Cole, (1998): Predicting Bank Failures: A Comparison of On- and Off-Site Monitoring Systems. Journal of Financial Services Research 13, pp. 103-117.
3. Hanlon (2014): "Bank Provisioning Behaviour and Hanweck and Ryu, 2004): "Supervisory Framework for the Use of