SJ Business Research Africa
Vol. 3 No. 3 (2026): July 2026 Issue
https://doi.org/10.51168/rfdfqz17
Original Article

Credit risk assessment and performance of loans in selected commercial banks in Kamwenge District. A cross-sectional study.

Jimmy Namara*, Mohammad Ssendagi
School of Graduate Studies and Research, Team University

ABSTRACT
Background:
The study aimed to examine the relationship between credit risk assessment and the performance of loans in selected commercial banks in Kamwenge District.

Methodology:
This study adopted a quantitative, descriptive correlational, cross-sectional survey design. Data were collected once from 75 respondents selected from 94 employees in three commercial banks in Kamwenge District using purposive and simple random sampling. Questionnaires and interviews provided primary data, supported by secondary sources. Instrument validity (CVI=0.93) and reliability (α=0.94) were ensured. Data were analyzed using descriptive statistics, Pearson correlation, and multiple regressions in SPSS. Ethical requirements were strictly observed throughout all stages of data collection, analysis, and reporting.

Results:
The study recorded a 93.3% overall response rate, with managers at 77.8%, loan officers at 80%, and support staff at 100%. Most respondents were aged 31-45 years (68.6%), followed by 45+ years (22.9%) and 20-30 years (8.6%). University graduates formed 78%, diploma holders 14%, and certificate holders 8%. Regarding experience, 43% had 3-5 years, 29% had 6-10 years, 17% had 0-2 years, and 11% had over 11 years. Credit scoring (34%) and collateral assessment (26%) dominated assessment methods. Mean scores were high for reviewing credit history (4.8) and collateral requirement (4.9). Pearson correlation showed a strong positive relationship between credit risk assessment and loan performance ($r=0.628$, $p<0.01$). Industry and macroeconomic considerations recorded neutrality at 61.4%, while income assessment averaged 4.1 and debt-to-income ratio averaged 3.6 among respondents across surveyed banks locally.

Conclusion:
Effective credit risk assessment has a strong positive influence on loan performance in commercial banks.

Recommendation:
Commercial banks should adopt advanced data analytics and credit scoring models to strengthen credit risk assessment accuracy.

Keywords: *Credit risk, loan performance, credit history, Credit scoring.*
Submitted: *April 19, 2024* ***Accepted:*** *January 22, 2026* ***Published:*** *July 29, 2026*

Corresponding author: *Jimmy Namara*
Email: *jimmynamk@gmail.com*
School of graduate studies and research, Team University

Background of the study
In the early years, credit risk management was relatively underdeveloped, mainly due to the lack of expertise and regulatory frameworks (Mbabazize, 2020). Banks had limited tools and knowledge to assess and monitor credit risk, resulting in a higher likelihood of loan defaults and poor loan performance (Mafumbo, 2020). During the late 1980s and 1990s, Uganda witnessed economic reforms and deregulation, which led to increased competition among commercial banks (Balyawo, 2019). With market liberalization, banks faced a growing need to focus on credit risk management to safeguard their portfolios and profitability (Atuhirwe, 2019). This period marked a turning point in the approach to credit risk, with a realization that effective management was crucial for long-term stability and growth (Nabweteme Sewanyana, 2011).

In the middle part of the funnel, we observe the emergence of improved credit risk management practices in the 2000s. Banks started adopting risk-based lending approaches, conducting comprehensive credit assessments, and implementing more rigorous credit policies and procedures (Emmanuel, 2017). Credit scoring models and credit

SJ Business Research Africa
Vol. 3 No. 3 (2026): July 2026 Issue
https://doi.org/10.51168/rfdfqz17
Original Article

committees were introduced to enhance the evaluation and approval process of loan applications. This period also saw advancements in technology, allowing for better data collection and analysis, which further improved the accuracy of credit risk assessment (Lukwago, 2018).

The study was guided by agency theory as proposed by Michael C. Jensen and William H. Meckling in 1976. This theory focuses on the relationship and conflicts of interest between principals (shareholders/owners) and agents (managers) in an organization (Balungi, 2018). According to this theory, the bank faces the challenge of aligning the interests of its borrowers with its own goals of minimizing credit risk and ensuring loan performance (Agaba, 2022). Under this theory, the principal (the bank) may face information asymmetry, as borrowers possess more information about their financial situation and ability to repay the loan. This information asymmetry can create a moral hazard problem, where borrowers may take excessive risks or engage in opportunistic behaviors that increase the likelihood of loan default (Kaahwa, 2013).

Credit risk management refers to the practice of assessing and managing the potential risks associated with lending money to borrowers or extending credit to customers and clients (Balungi, 2018). This process involves identifying, measuring, monitoring, and controlling the risks inherent in granting credit to individuals, businesses, or other entities (Kaahwa, 2013). Credit risk management aims to minimize the likelihood of borrowers defaulting on their loans or failing to meet their financial obligations.

Credit risk management is practiced through assessment, supervision, and demand for collateral before loans are accessed by customers in Uganda (Igani, 2014). Also, through the Bank of Uganda, banks know the credit ratings of individual customers and their creditworthiness (Opiding, 2018). The study aimed to examine the relationship between credit risk assessment and performance of loans in selected commercial banks in Kamwenge District.

METHODOLOGY

Research design

This study followed a descriptive correlational and cross-sectional survey design. Quantitative methods were employed to establish numerical findings in line with the study objectives.

Correlation was used to establish the relationship between study variables based on the study objectives. The study was also cross-sectional in nature since it collected data at a point in time and had no follow-up. Descriptive statistics were used to explain the characteristics of the respondents and findings of some variables using mean and standard deviation.

Target population

The study was conducted in three commercial banks, namely: Finance Trust Bank, Centenary Bank, and Stanbic Bank. According to the Human Resource Report (2022) of the selected commercial banks, they had 32, 37, and 25 permanent staff, respectively, in Kamwenge District. Therefore, 94 employees of the selected commercial banks were used as the target population for the study.

Sample size

Table 1: Target population, sample size and sampling techniques

Department	Population	Sample size	Sampling Technique
Finance Trust Bank			
Managers	3	03	Purposive sampling
Loan officers	8	05	Purposive sampling
Other staff	10	8	Simple random sampling
Centenary bank			
Managers	03	03	Purposive sampling
Loan officers	5	05	Purposive sampling
Other staff	32	26	
Stanbic bank			
Managers	3	03	Purposive sampling
Loan officers	5	05	Purposive sampling
Other staff	25	17	Simple random sampling
Total	**94**	**75**	

A sample of 75 respondents was selected from a population of 94 employees of the selected banks in Kamwenge District, guided by Krejcie and Morgan (1970) table. These comprised of 09 managers, 15 loan officers, and 51 other staff of the banks in Kamwenge District.

Sampling techniques

In this study, simple random sampling and purposive sampling techniques were used in selecting the respondents of the study. Simple random sampling technique was used

SJ Business Research Africa
Vol. 3 No. 3 (2026): July 2026 Issue
https://doi.org/10.51168/rfdfqz17
Original Article

in selecting technical support staff of the selected banks to participate in the study. The method was preferred because it eliminated bias in the findings, as all the staff had a similar chance of being selected.
Purposive sampling was also used in selecting managers and loan officers of the selected banks. The technique was used in order to obtain key information in relation to the study.

Sources of data

Data for this study were collected from both primary and secondary sources. Primary data was obtained using questionnaires and scheduled interviews. This type of data was collected from the respondents.
Secondary data for this study was obtained from records, reports, journals, magazines, newspapers, and books. The data obtained from secondary sources was used for empirical studies and literature review.

Methods of data collection

Relevant data was obtained for this study mainly from primary sources using primary collection methods such as the questionnaire method and interviews directly from the field. The method was used to obtain detailed information within a short period of time.

Questionnaires

Self-Administered Questionnaires were issued to the selected respondents of Finance Trust Bank and other selected commercial banks' staff in Kamwenge District to fill in answers at their own discretion. These were collected after one week from the date of issue.

Interview guide

An interview method was used to collect more detailed information from the managers and loan officers at the selected bank. Answers were carefully noted down for each question. The method was also used to obtain additional information that was not captured by the questionnaires.

Ethical considerations

Ethical rules were adhered to during data collection from humans and ensured utmost care and compliance with the available rules. The following are directly relevant to this study;
Respondents were informed about the purpose of the study and were informed of how the provided data was to be treated. In this regard, each respondent who was contacted was given a consent form to sign.
No respondent was forced to participate in the study. Their rights were respected to participate and were fully informed about their freedom to withdraw at any time they wished. All these were communicated verbally and also in the consent form.
The data provided by respondents was treated with utmost confidentiality. The information relating to the identity of individual respondents was avoided, and no data was collected on them, such as their names, names of their parents or children. In addition, all the information respondents were given through questionnaires or interviews was kept secret and was not revealed to other people. The findings were therefore reported in a generalized manner, and the raw data was protected from being accessed by other people.
After the approval of the proposal, clearances from the different offices concerned were obtained. The permission was sought from the School of Graduate Studies to go and carry out the study. The letter from the office was requested for confirmation of the permission. The permission was sought from Centenary Bank to collect data from its employees and use its records and other necessary documents to carry out the study.
All authors whose works and ideas were used in this study were fully acknowledged through proper citation and referencing.

Validity of instruments

To ensure validity, research questions were discussed with the supervisor and nine other 9 experts in research. These experts were requested to judge the question items one by one, indicating what was relevant and what was not. Content Validity Index (CVI) was then calculated using the following formula;

$$CVI = \text{summation } (n / N) = (280/300) = 0.93$$

Where: n = items related to the relevant, N=Total number of items.
For all 10 experts that participated in judging the questions, 280 out of 300 were accurate, hence A Content Validity Index of 0.93. This was way greater than 0.7 as proposed by Amin (2005). Therefore, the research instruments were valid, accurate, and relevant.

Reliability of the instrument

To test for the reliability of the instrument, the Cronbach's alpha coefficient was used using data collected from the pilot study of 05 respondents. The data from the pilot study were entered into the computer Statistical Package for Social Sciences (SPSS), and a Cronbach's alpha coefficient was computed and was 0.94; hence was compared with 0.7 hence a good measure of validity as proposed by Amin (2005).

Data Analysis

After the questionnaires were collected from the field, data were entered, organized, coded, and validated using Microsoft Excel. Then data were exported to SPSS for analysis. Using the Statistical Package for Social Scientists (SPSS), the mean, variance, and standard deviation for numerical variables were determined; frequency distribution

SJ Business Research Africa
Vol. 3 No. 3 (2026): July 2026 Issue
https://doi.org/10.51168/rfdfqz17
Original Article

tables were drawn for Univariate analysis of the study variables and characteristics of the respondents.
Pearson's linear correlation was used to establish the relationship between credit risk assessment, monitoring, mitigation, and performance of loans in commercial banks.

Multiple linear regressions were used to establish the relationship between credit risk management and performance of loans in commercial banks in Kamwenge District.

RESULTS

Response rate

Table 2: Response rate of the study

Department	Questionnaires issued	Questionnaires received	Response rate (%)
Managers	09	07	77.8
Support staff	51	51	100
Loan officers	15	12	80
Total	**75**	**70**	**93.3**

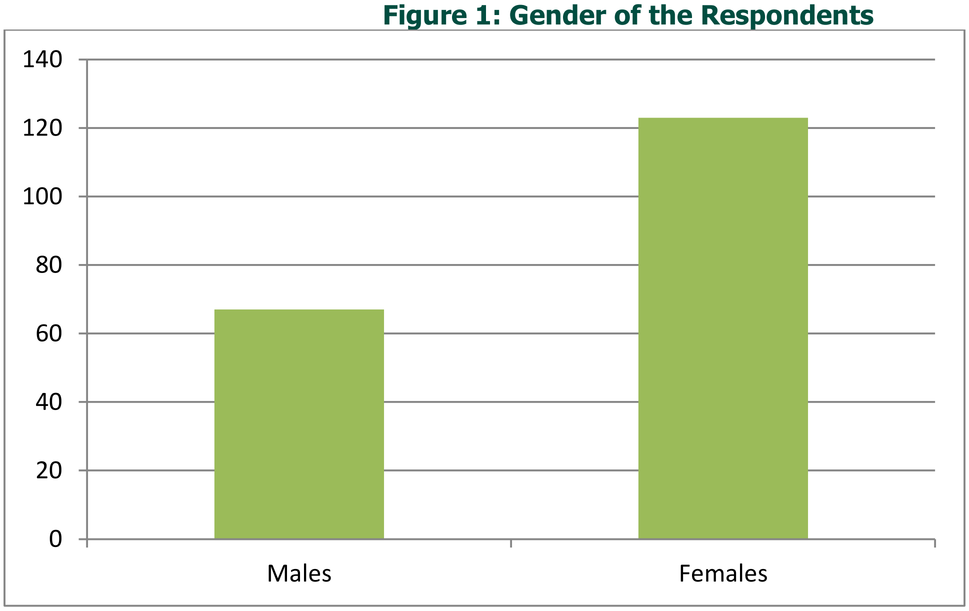
Source: *Primary data (2023)*

The response rates for managers, support staff, and loan officers were 77.8%, 100%, and 80%, respectively. Overall, the organization has a response rate of 93.3%, which indicates a generally positive engagement from the participants.

Demographic characteristics of the respondents

Gender

Figure 1: Gender of the Respondents



Source: Primary (2022).

According to Figure 4.1, 45 of the respondents were females, and 25 of the respondents were males. Therefore, the majority (64.3%) of the respondents for the study were females working in the banking sector in Kamwenge District.

SJ Business Research Africa
Vol. 3 No. 3 (2026): July 2026 Issue
https://doi.org/10.51168/rfdfqz17
Original Article

Age of the respondents

Table 3: Age of the respondents

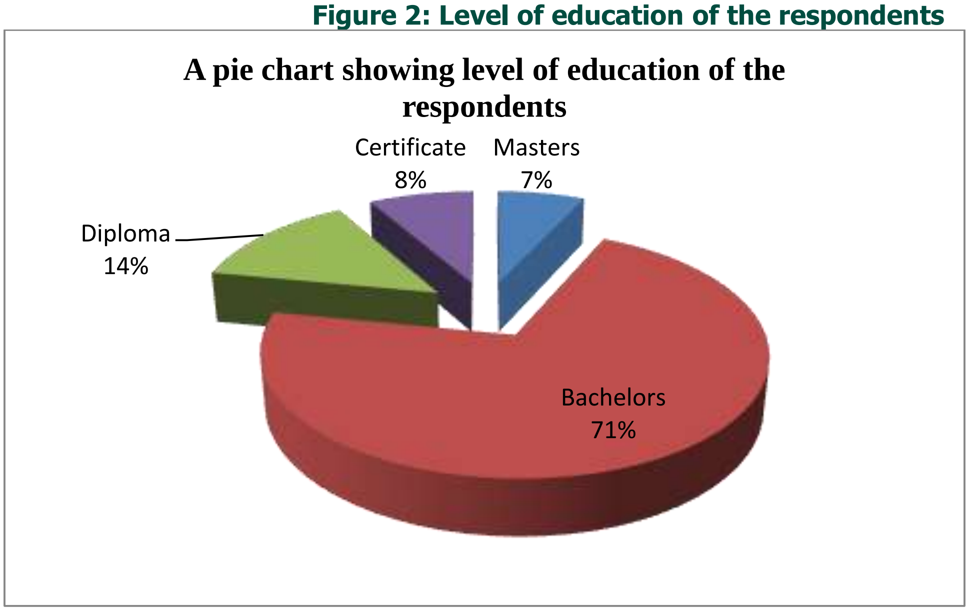
Age	Frequency	Percent
20-30 years	6	8.57%
31-45 years	48	68.57%
45+ years	16	22.86%
Total	**70**	**100%**

Source: Primary data (2024)

According to Table 3 above, 8.57% of the respondents were aged between 20-30 years, 68.57% of the respondents were aged between 31-45 years, and 22.86% of the respondents were aged 45 years and above. Therefore, the majority of the respondents were energetic enough to carry out banking activities efficiently.

Level of Education of the Respondents

Figure 2: Level of education of the respondents

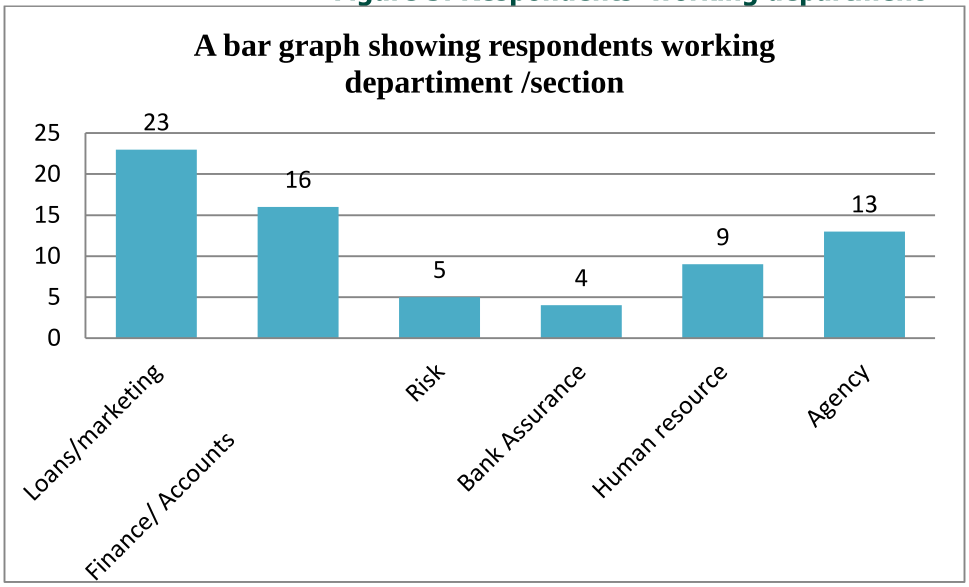


Source: Primary data (2024)

According to the findings in Figure 2, 78% of the respondents were university graduates, 14% had a diploma level of education, and 8% of the respondents had a certificate in various areas of specialization within the banking sector. Therefore, all the respondents had formal education and had sufficient knowledge and skills in credit risk management in commercial banking.

Respondents working department

Figure 3: Respondents' working department



Source: Primary data (2024)

According to the findings in Figure 3, most of the respondents are working with the loans/ credit/ marketing department (23), followed by respondents working in the finance/accounts department, agency department, human resource department, risk department, and bank assurance department. This shows that the majority of the employees (61, loans, finance, risk, bank assurance, agency) in the selected commercial bank departments have sufficient knowledge of credit risk management.

Respondents working experience

Table 4: Respondents' working experience

Work experience	Frequency	Percentage
0- 2 years	12	17%
3-5 years	30	43%
6-10 years	20	29%
11+ years	8	11%
Total	**70**	**100%**

According to the findings, 17% of the employees have work experience ranging from 0 to 2 years. This indicates that a small percentage of employees are relatively new in their roles.

The largest percentage of employees (43%) fall within the 3-5 years' experience range. This suggests that a significant proportion of employees have gained some experience and have advanced beyond entry-level positions.

SJ Business Research Africa
Vol. 3 No. 3 (2026): July 2026 Issue
https://doi.org/10.51168/rfdfqz17
Original Article

29% of employees have work experience between 6 and 10 years. This indicates a substantial number of employees who have spent a considerable amount of time in their roles and have potentially developed a deeper understanding of their work.

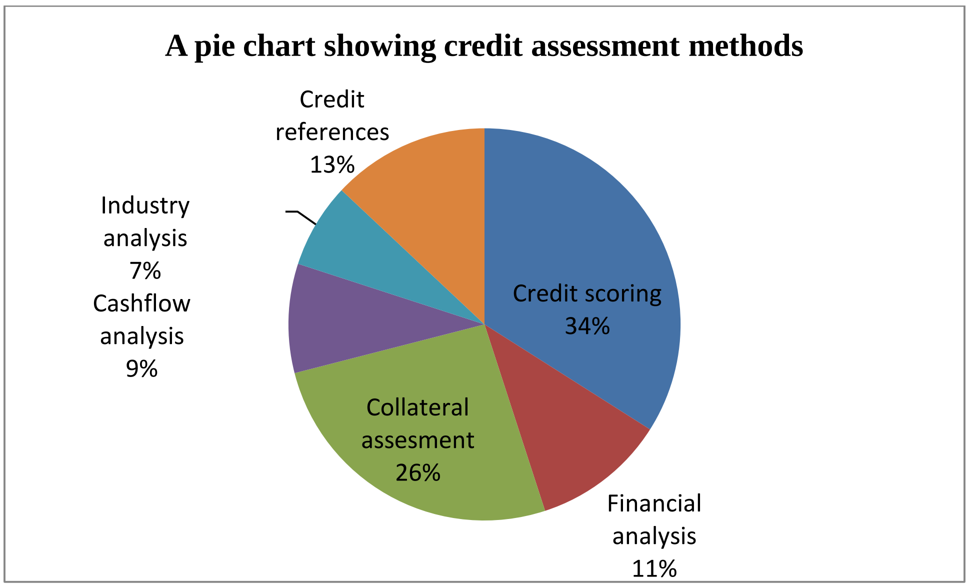
The smallest percentage of employees (11%) have more than 11 years of work experience. While this group is relatively small, they represent employees with significant expertise and possibly hold senior positions within the banks.

Overall, the data suggests that there is a mix of experienced employees along with newer employees in the selected commercial banks in Kamwenge district. This blend of experience levels contributes to a diverse and well-rounded workforce that brings a combination of fresh perspectives and seasoned expertise to the banking sector in the region.

Credit risk assessment and performance of loans in selected commercial banks in Kamwenge District

Credit risk assessment methods in commercial banks in Kamwenge District

Figure 4: Credit risk assessment methods in commercial banks in Kamwenge District



In Kamwenge District in Uganda, commercial banks use various credit assessment methods to evaluate the creditworthiness of loan applicants.

According to findings, the most used method in assessing risk was credit scoring (34%). Credit scoring was the most commonly used credit assessment method in Kamwenge district. Banks use credit scoring models to analyze the credit history, income level, existing debt, and repayment behavior of loan applicants. The credit score helps banks determine the likelihood of loan repayment and make informed lending decisions.

Also, findings showed that banks use the collateral assessment method (26%). Collateral assessment is an important credit assessment method used by commercial banks in Kamwenge district. Banks evaluate the value of assets provided as collateral, such as real estate or vehicles, to secure the loan. The value of the collateral determines the amount of the loan that can be approved.

Findings also showed that banks use credit references (13%). Commercial banks in Kamwenge district also rely on credit references provided by loan applicants. Banks contact these references to verify credit history and repayment behavior, which helps assess the credit risk associated with lending to a particular individual or business.

Banks also use a financial analysis assessment method (11%). Financial analysis is another key credit assessment method used by banks in Kamwenge district. Banks analyze the financial statements and documents provided by loan applicants to assess their financial health and ability to repay the loan. This includes reviewing income statements, balance sheets, and cash flow statements.

Commercial banks also use cash flow analysis (9%). Cash flow analysis is used by commercial banks in Kamwenge district to evaluate the cash flow of businesses applying for loans. Banks assess the business's ability to generate

Vol. 3 No. 3 (2026): July 2026 Issue
https://doi.org/10.51168/rfdfqz17

sufficient income to repay the loan by analyzing revenue sources, expenses, and cash flow projections.

They also use Industry analysis (7%) to assess credit. Some banks in Kamwenge district conduct industry-specific assessments when evaluating loan applications. This involves analyzing market trends, competitive landscape, and industry risks to assess the viability of a business and its ability to repay the loan.

These credit assessment methods were crucial for commercial banks in Kamwenge district in making informed lending decisions, managing credit risk effectively, and ensuring the repayment of loans. By using a combination of these methods, banks assess the creditworthiness of borrowers and minimize the risks associated with lending.

Descriptive findings on credit risk assessment and performance of loans in selected commercial banks in Kamwenge District

Table 5: Descriptive findings on credit risk assessment and performance of loans in selected commercial banks in Kamwenge District

For this particular section, responses were captured based on the Likert scale; hence, the answers were on a scale of 1 to 5, i.e. 5= Strongly Agree, 4= Agree, 3 = Neutral, 2 = Disagree, and 1 = Strongly Disagree. The table also includes the summary of the participants' responses based on percentages (P), frequency (F), standard deviation (Std), and mean.

Statements	SA	A	N	D	SD	Mean	Std
Banks review the borrower's past credit history.	56 80%	14 20%				4.8	0.3
Banks assess the borrower's income and financial stability	23 32.9%	32 45.7%	15 21.4%			4.1	0.6
Banks evaluate the borrower's debt-to-income ratio	8 11.4%	34 48.6%	23 32.95	5 7.1%		3.6	0.8
Banks require borrowers to provide collateral to secure the loan.	64 91.4%	6 8.6%				4.9	0.1
Banks assess the purpose of the loan	13 18.6%	41 58.6%	16 22.8%			3.9	0.4
Banks consider the borrower's industry and macroeconomic factors to provide a loan	4 18.6%	19 27.1%	43 61.4%	4 18.6%		3.3	0.8
Banks ensure that borrowers meet all legal and regulatory requirements	56 80%	9 12.9%	5 7.1%			4.7	0.4

Source: *Primary data (2024)*

Based on the data provided in Table 5 regarding credit risk assessment and loan performance in selected commercial banks in Kamwenge District, the following were observed.

On the statement "Banks review the borrower's past credit history", the majority of participants (80%) strongly agree (56 responses) that banks review the borrower's past credit history. This indicates that assessing credit history is a significant factor in credit risk assessment.

On the statement "Banks assess the borrower's income and financial stability", while a significant portion (45.7%) agree that banks assess the borrower's income and financial stability, a sizeable number (32.9%) also strongly agree with this statement. This suggests that income evaluation is considered an important factor in loan assessment.

On the statement "Banks evaluate the borrower's debt-to-income ratio", findings showed that the responses were more evenly distributed here, with no strong consensus. However, the majority (48.6%) agree that banks evaluate the borrower's debt-to-income ratio. This indicates that debt levels relative to income are taken into consideration during the assessment process.

The statement "Banks require borrowers to provide collateral to secure the loan" had an overwhelming majority (91.4%) strongly agreeing that banks require borrowers to provide collateral. This practice helps mitigate credit risk by providing security for the loan.

Findings on the statement "Banks assess the purpose of the loan" showed that while the responses are fairly evenly distributed, the overall mean score indicates that a significant portion of participants n(58.6%) agree that banks assess the purpose of the loan. Understanding the intended use of funds is crucial in evaluating credit risk.

The statement "Banks consider the borrower's industry and macroeconomic factors to provide a loan" had a notable percentage (61.4%) showing neutrality in this aspect, indicating a mixed perception of its importance.

Findings on the statement "Banks ensure that borrowers meet all legal and regulatory requirements" showed that the majority (80%) strongly agree that banks ensure borrowers meet legal and regulatory requirements. Compliance with laws and regulations is essential for maintaining a sound lending environment.

In conclusion, the findings suggest that while certain aspects of credit risk assessment are well-established in the practices of these commercial banks, there are some areas, such as the consideration of industry and macroeconomic factors, where opinions vary. Overall, the data highlights the importance of thorough credit risk assessment processes in making informed lending decisions and managing credit risk effectively.

During the interview with one of the credit managers, he said, *"Commercial banks often use credit scoring models to assess the creditworthiness of borrowers. These models analyze various factors, such as credit history, income, employment status, debt-to-income ratio, and repayment behavior, to assign a numerical score to each borrower. The credit score helps banks evaluate the probability of default and make lending decisions accordingly"*

Also, another branch manager said, *"Banks require borrowers to provide collateral, such as real estate, equipment, or inventory, to secure loans. Collateral serves as a form of protection for the bank in case of borrower default. Banks assess the value and quality of collateral to determine its adequacy in covering the loan amount and mitigating credit risk"*

One of the loan officers also added that "Commercial banks utilize credit risk rating systems to categorize borrowers into different risk categories based on their creditworthiness. These rating systems typically use a scale ranging from low risk to high risk, with corresponding credit terms and pricing. Banks assign credit ratings to borrowers based on their credit scores, financial metrics, and other relevant factors"

Correlational findings on credit risk assessment and performance of loans in selected commercial banks in Kamwenge District

Table 6: Pearson correlation between credit risk assessment and performance of loans in selected commercial banks in Kamwenge District

			Performance of loans
Credit risk assessment	Pearson Correlation	1	.628**
	Sig. (2-tailed)		.001
	N	70	70
Performance of loans	Pearson Correlation	.628**	1
	Sig. (2-tailed)	.001	
	N	Credit risk assessment 70	70

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Primary (2023)

The study findings show a strong positive correlation of .628 between credit risk assessment and the performance of loans in selected commercial banks in Kamwenge District. This indicates that there is a significant relationship between how banks assess credit risk and the subsequent performance of loans they offer.

The correlation being significant at the 0.01 level (2-tailed) further reinforces the strength of the relationship between credit risk assessment and loan performance. In other words, the better the credit risk assessment practices in the banks, the better the performance of the loans they provide.

This suggests that banks in Kamwenge District that implement robust credit risk assessment processes are likely to experience better loan performance outcomes. It underscores the importance of effective risk management practices in the banking sector to mitigate loan default risks and improve overall loan portfolio performance.

DISCUSSION

The study findings show a strong positive correlation of .628 between credit risk assessment and the performance of loans in selected commercial banks in Kamwenge District. This indicates that there is a significant relationship between how banks assess credit risk and the subsequent performance of loans they offer.

Studies conducted in Uganda and the region provide evidence that effective credit risk assessment frameworks, such as credit appraisal, credit scoring, and credit rating systems, play a critical role in enhancing loan performance. For instance, Mafumbo (2020) emphasizes that proper credit appraisal mechanisms enable banks to identify potential defaulters early, thereby improving loan portfolio performance. Similarly, Bakashaba et al. (2022) note that sound credit risk assessment practices significantly influence the quality and performance of loans in Ugandan commercial banks. In Kamwenge District, banks are likely to employ similar assessment mechanisms, which explains the observed positive relationship between credit risk assessment and loan performance.

Empirical evidence further indicates that effective credit risk management contributes to improved financial and loan performance in commercial banks. Agaba (2022) established that rigorous credit assessment procedures enhance loan repayment behavior and reduce default rates among borrowers. Likewise, Kalu et al. (2018) found that strong credit risk assessment practices improve financial performance by minimizing non-performing loans. This suggests that banks in Kamwenge District that apply robust risk assessment frameworks are better positioned to safeguard their loan portfolios and sustain profitability.

In addition, research shows that the use of appropriate credit assessment models strengthens loan performance by ensuring informed lending decisions. Muthoni et al. (2020) argue that structured credit evaluation models, including borrower analysis and risk grading, improve loan portfolio quality. Similarly, Wachira (2017) highlights that the adoption of systematic credit risk assessment techniques enhances loan repayment and reduces default risks. These findings imply that selecting suitable assessment methods tailored to institutional risk profiles can significantly improve loan performance in commercial banks.

Furthermore, studies conducted in East Africa indicate that continuous monitoring and evaluation of borrower creditworthiness play a vital role in reducing non-performing loans. Onuko et al. (2015) found that effective credit risk assessment and monitoring practices significantly lower loan delinquency levels in commercial banks. Chong (2021) also emphasizes that early identification of risky loans through proper assessment improves overall loan portfolio performance. Banks in Kamwenge District can therefore draw lessons from these findings to strengthen their risk management strategies and minimize default risks.

Overall, the study findings in Kamwenge District underscore the critical importance of thorough credit risk assessment processes in commercial banks. Consistent with existing literature (Serwadda, 2018; Orichom & Omeke, 2021), the implementation of robust credit risk assessment frameworks enables banks to mitigate loan default risks, enhance loan portfolio performance, and ensure financial stability. Strengthening credit risk assessment practices remains essential for sustaining sound banking operations and improving loan performance outcomes in the district.

CONCLUSION

The study findings show a strong positive correlation of .628 between credit risk assessment and the performance of loans in selected commercial banks in Kamwenge District. This indicates that there is a significant relationship between how banks assess credit risk and the subsequent performance of loans they offer.

RECOMMENDATION

Commercial banks should implement more comprehensive and sophisticated credit risk assessment techniques to accurately evaluate the creditworthiness of borrowers. Utilize data analytics and credit scoring models to enhance the predictive power of credit assessments and improve risk evaluation.

List of abbreviations

CVI	Content Validity Index
DTB	Diamond Trust Bank
FTB	Finance Trust Bank
LPR	Loan Performance Report
NPL	Non-performing loans
SAQ	Self-Administered Questionnaires
SPSS	Special Package for Social Sciences

Source of funding

The study had no funding.

Conflict of interest

The authors declare no conflict of interest.

Data availability

Data are available upon request from the author.

Author biography

Jimmy Namara, a student pursuing a Master of Business Administration at Team University.
Dr. Mohammad Ssendagi, Research Supervisor at Team University.

Author contributions

Jimmy Namara collected the data
Dr. Mohammad Ssendagi supervised the study.

References

1. Agaba, F. (2022). *Credit Risk Management Practices and Loan Performance of Commercial Banks in Uganda: A Case Study of Commercial Banks in Mbarara City.* https://doi.org/10.38157/bpr.v4i1.394
2. Atuhirwe, A. (2019). *Assessing the role of operational risk management in Uganda's banking sector: A case study of NC Bank Uganda.* Makerere University.
3. Bakashaba, E., Lutaaya, J. M., & Arinaitwe, H. (2022). *Credit Risk and Financial Performance of Selected Commercial Banks in Kampala District, Uganda: A Cross-sectional Study*, 3(12), 21–21. https://doi.org/10.51168/sjhrafrica.v3i12.261
4. Balungi, D. (2018). *Credit Risk Management and Performance of Financial Institutions in Uganda: A Case Study of Housing Finance Bank, Kampala Branch.*
5. Balyawo, A. (2019). *The impact of debt management strategies on financial performance of commercial banks in Uganda (Centenary Bank Nakasero).*
6. Chong, F. (2021). *Loan delinquency: Some determining factors*, 14(7), 320. https://doi.org/10.3390/jrfm14070320
7. Emmanuel, L. (2017). *Operational risk management and financial performance in the banking sector in Uganda: A case study of Stanbic Bank Mpigi Branch, Uganda.* Nkumba University.
8. Igani, J. (2014). *Credit Administration and Financial Performance of Commercial Banks in Kampala City Authority, Uganda (Dfcu and Finance Trust).* Kampala International University.
9. Kaahwa, C. I. (2013). *Credit Management and the Performance of Agriculture Loans in Uganda: A case of Hofokam Limited.* Uganda Management Institute.
10. Kalu, E. O., Shieler, B., & Amu, C. U. (2018). *Credit risk management and financial performance of microfinance institutions in Kampala, Uganda.* Independent Journal of Management Production, 9(1), 153–169. https://doi.org/10.14807/ijmp.v9i1.658
11. Lukwago, E. (2018). *Operational risk management and financial performance in the banking sector in Uganda: A case study of Stanbic Bank Mpigi Branch Uganda.* Nkumba University.
12. Mafumbo, P. W. (2020). *Credit management, credit policy and financial performance of commercial banks in Uganda.* International Journal of Business Management Review, 8(5), 68–99.https://doi.org/10.37745/ijbmr.vol8.no5.p68-99.2020
13. Mbabazize, R. N., Turyareeba, D., Ainomugisha, P., & Rumanzi, P. (2020). *Monetary policy and profitability of commercial banks in Uganda*, 10(10), 625–653. https://doi.org/10.4236/ojapps.2020.1010044
14. Muthoni, M. I., Mwangi, L. W., & Muathe, S. M. (2020). *Credit management practices and loan performance: Empirical evidence from commercial banks in Kenya.* International Journal of Current Aspects in Finance, Banking and Accounting, 2(1), 51–63. https://doi.org/10.35942/ijcfa.v2i1.105
15. Nabweteme Sewanyana, G. A. (2011). *Operational risk management, organizational environment and organizational performance at Stanbic Bank Uganda Limited.* Makerere University.
16. Onuko, L. K., Muganda, M., & Musiega, D. (2015). *Effect of credit risk management on loan portfolio quality of tier one commercial banks in Kenya.* International Journal of Business Management Invention, 4(7), 46–53.
17. Opiding, A. (2018). *Credit Risk Management and profitability in commercial banks in Uganda: A case study of Diamond Trust Bank.* Uganda Management Institute.
18. Orichom, G., & Omeke, M. (2021). *Capital structure, credit risk management and financial performance of microfinance institutions in Uganda.* Journal of Economics and International Finance, 13(1), 24–31. https://doi.org/10.5897/JEIF2020.1096
19. Serwadda, I. (2018). *Impact of credit risk management systems on the financial performance of commercial banks in Uganda.* Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis, 66(6), 1627–1635.https://doi.org/10.11118/actaun201866061627

20. Wachira, A. K. (2017). *Effects of credit risk management practices on loan performance of commercial banks in Nyeri County, Kenya.*

PUBLISHER DETAILS