

CREDIT RISK MANAGEMENT AND THE PERFORMANCE OF PRIDE MICRO FINANCE UGANDA**Nayebare Brendah Bridget¹, Zikusooka Enock²****1, 2 Metropolitan International University****ABSTRACT**

The study will examine the effect of credit risk management on financial performance of Pride Microfinance. The Specific Objectives of the study were to examine the effect of Credit Risk identification, Credit Risk assessment and Credit Risk control on the financial performance of HFB. The study used a descriptive cross-sectional design using both qualitative and quantitative approach to collect data from a sample of 80 respondents. Questionnaire and interviewing guides were used to collect the data. Quantitative data was analyzed using measurement of central tendency and qualitative data was analyzed using correlations and regression analysis techniques. The results of the regression model revealed that risk identification contribute greatly to improving financial performance with a beta value of 0.417. Further still, the results indicated that risk Control comes second in improving financial performance given a beta value of 0.221. Similarly, risk assessment has a relatively lesser contribution in relation to other examined measures of Credit Risk Management Practices on financial performance with beta value of 0.219. The management of the bank should enhance staff capacity to execute objective identification of credit related risks. This is because risk identification has the highest contribution to financial performance.

Key words: credit, risk management, performance and pride micro finance**Background of the study**

Brindley (2004) argues that credit risk management emerged in the 1960s mainly due to global competition, technological change and the constant search for competitive advantage. (Alex & Kazaara, 2023) argue that in the 1980s, there was no risk management department in a banking institution and only the bank's chief trader had the experience and authority to decide on bad trades and have them canceled (Ramadhan et al., 2023). This study was based on Enterprise Risk Management theory to clarify the effect of credit risk management on the performance of Pride microfinance (Kazaara et al., 2023). The theory proposes that an organization's overall risks are managed collectively, not independently. Risk is also seen as a potential profit opportunity, rather than something to simply be

minimized or eliminated (Annet et al., 2023). As stated in the theory, the study identifies four concepts namely; risk identification, risk assessment, risk control and financial performance. A risk is any threat or event that is currently occurring or that has a reasonable chance of occurring in the future that could undermine an institution pursuing its goal and objectives (Polycarp et al., 2023). Risk management is defined as the process a bank puts in place to control its financial exposures. This study will conceptualize risk identification to include two indicators involving the origin of credit risk and the subsequent classification of identified risk (Kazaara & Christopher, 2023). Risk assessment is the identification and analysis of relevant risks to the achievement of the organization's objectives in order to determine how these risks should be managed.

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Risk assessment involves first establishing the operational objectives and then systematically identifying those things that could prevent the achievement of each objective. In other words, it is an analysis of what could go wrong (Richard et al., 2022). Pride Microfinance is one of the largest microfinance institutions in Uganda and is 100% owned by the Government of Uganda. It was established in 1995 and achieved MDI status in 2005

Statement of the problem

Credit risk management is critical to the performance of any financial institution and its existence is expected to lead to good performance of the financial institution (Innocent et al., 2023). In a world of fluctuating monetary movements and increasing global borrowing and lending, few, if any, banks remain unaffected by borrowers' late and non-payment of loan obligations (Collins et al., 2023). This results from the bank's inability to collect expected interest income as well as the loss of principal due to loan defaults (Polycarp et al., 2023). Financial institutions perform credit risk management as a measure to mitigate credit risk. This is achieved by having a well-developed credit mechanism and procedure, i.e. (Derrick et al., 2023), credit evaluation, staff training, and setting credit standards and conditions to offset the possibility of loss and improve financial performance. Since credit is the largest area of business for commercial banks (Alex & Kazaara, 2023), this problem requires an urgent response and, if not resolved in time, may cause the bank to fail. This is because the rate of loss due to credit risk compared to other banking risks is severe (Gracious, 2023). It is on this basis that this study was designed to investigate the impact of credit risk management on the financial performance of commercial banks in Uganda.

Specific objectives

1. To examine the effect of Credit Risk identification on financial performance of PMF.
2. To analyze the effect of Credit Risk assessment on financial performance of PMF.
3. To investigate the relationship between Credit Risk control and financial performance of PMF.

Methodology

The researcher used a cross sectional survey design to explore the research problem in-depth. This design is flexible in both quantitative and qualitative data collection and enables the study to

be carried out at a particular time and the notion of combining qualitative and quantitative data in a cross section survey was to help in getting detailed information, in line with this, the qualitative

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techniques was used to capture views and opinions of the respondents and to provide an in depth analysis credit risk management and financial performance, while the quantitative techniques was used to examine the relationship between the variables in the study and to test for consistency of findings from both methods. The study population comprises of 60 respondents who were staff of Pride Micro Finance in the Kampala District Branches of Katwe, Entebbe Road, Bukoto, Kawempe, Wandegeya, Kabalagala, Nakawa and City Centre. These included 60 credit officers and 51 credit managers. For this data collection method, structured questionnaires (close ended)

were distributed to respondents to complete in writing. It is expected to give an accurate profile of the situation and the data provided was described who, how, when and where of the variables in the study and also established the relationship between the independent and dependent variable. Cronbach Alpha method of internal consistency was used to compute the reliability of the measures of the variables of the study using various questionnaire items that was administered to respondents and thus data was analyzed inform of tables, frequencies and percentages using SPSS and STATA (Nelson et al., 2022).

RESULTS

Descriptive Statistics on Risk Identification

Table 1: Descriptive Statistics on Risk Identification

Statements	N	Minimum	Maximum	Mean	Std. Deviation
The bank has a framework for credit risk identification	111	3	5	4.01	.457
The bank trains staff to effectively identify the potential risks that surround its operations	111	1	5	3.98	.700
Risk identification is the initial stage the bank employs in managing credit risk	111	1	4	3.29	1.021
The bank identifies risks associated with collateral choices	111	2	5	4.15	.765
The bank identifies risks associated with the loan tenure	111	1	4	3.06	1.064
The bank identifies the risks associated with total debt exposure to customers	111	1	4	2.66	1.239
During risk identification, the bank pays great attention to the quality of information gathered from customers	111	1	5	3.80	.998

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The bank identifies the risks associated with the ability to pay	111	1	5	3.63	1.348
The bank pays attention to risks posed by the business environment	111	1	5	3.32	1.236
The bank pays attention to risks posed by the political environment	111	1	5	3.23	1.126

Source: Primary data (2022)

The respondents were asked whether, “**The Bank has a framework for credit risk identification**”. In response, they agreed with (Mean = 4.01; SD = 0.457). This may have attributed to established guidelines within the bank that guide management and staff on the basis of identifying the potential risks threatening the core business of the bank which in turn might have a bearing on its financial performance. A standard deviation of 0.457 further reveals lower variation amongst the views generated from the respondents about the statement and hence a less impact on data reliability (Allan et al., 2023).

Regarding whether, “**the bank trains staff to effectively identify the potential risks that surround its operations**”, the respondents agreed with (Mean = 3.98; SD = 0.7). This could be linked to the routine trainings that the bank organizes or procures for staff tailored to effective risk identification and management at the bank. It may also be attributed to the key skills exhibited by bank staff in identifying the potential risks that threaten the bank’s core business and also defining appropriate tactics in addressing such risk. A standard deviation of 0.70 however points to a relatively high variation amongst the views obtained from the respondents about the statement and hence may pose a relatively high negative impact on data reliability (Moses et al., 2023).

On whether, “**Risk identification is the initial stage the bank employs in managing credit risk**”, the respondents agreed with (Mean = 3.29; SD = 1.021). This may be associated with the fact the bank can only manage credit risk when it clearly knows the various risks that make credit risk. These may include information asymmetry, default risk, fraud, conspiracies and multiple borrowing by the customers among others. A standard deviation of 1.021 however points to a high variation amongst the views generated from the respondents and may have an adverse effect on data reliability (Oromo et al., 2023).

On whether, “**the bank identifies risks associated with collateral choices**”, respondents agreed with (Mean = 4.15; SD = 0.765). This may attribute may be attributed to the bank paying particular attention to collateral as one of the requirements for borrowing. This way, the bank may conduct searches to ascertain ownership and any encumbrances thereon. A standard deviation of 0.765 however points to a relatively high variation amongst the respondents’ opinions about the statement which might negatively affect data reliability (Ronald et al., 2023b).

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Regarding whether “**the bank identifies risks associated with the loan tenure**”, respondents were generally neutral with (Mean = 3.06; SD = 1.064). This may be attributed to the bank not taking all the steps necessary to subdue loan losses. For example, there might be absence of clear guidelines on the duration of particular loan products the customers (Gracious, 2023). A standard deviation of 0.64 however, points to a relatively moderate variation amongst the views gathered from the respondents about the statement and an average impact on data reliability. The study findings are contradicting Siba (2012) who showed that all banks had formal risk identification and assessment systems in place and that all the banks had a relatively similar risk management environment, policies and procedures (Moses et al., 2023).

Asked whether, “**The bank identifies the risks associated with total debt exposure to customers**”, respondents were neutral with (Mean = 2.66; SD = 1.239). This may be attributed to limited capacity of the bank to identify the instances of multiple borrowing save for those that are capture on the credit reference bureau system. Thus, the only debt exposure the bank can track is limited to debts in the formal system and as such debts from the informal system can hardly be traced. There is however a very high variation with regards to the opinions of the respondents about the statement indicated by a standard deviation of 1.239 which might negatively impact on the reliability of the data. The findings are supported by Lagat et al., (2017) who wrote that the first task in risk identification is to select the information relevant to the decision under consideration from the total information contained in the financial statements (Faridah et al., 2023).

Asked whether, “**During risk identification, the bank pays great attention to the quality of information gathered from customers**”, respondents agreed with (Mean = 3.88; SD = 0.998). This may be associated with a well-established framework that sieves and cleans information from customers for permitting informed loan decision making. Thus the banks might be engaged into authenticating information about incomes, collateral, and character of the borrower for reaching the lending decisions. A standard deviation of 0.998 however points to a high variation amongst the views gathered from the respondents about the statement and this may adversely affect the reliability of the data (Kazaara & Christopher, 2023).

On whether, “**The bank identifies the risks associated with the ability to pay**”, respondents were in agreement with (Mean = 3.63; SD = 1.348). This may be attributed to the fact that assessing the ability to pay coupled with a positive character of the borrower is a cheaper alternative of shielding against default risk than planning to sell off mortgaged collateral. It also goes a long way in influencing objective decisions and subsequently promotes a positive image of the bank. A standard of 1.348 however points to very high variation amongst the views generated from the respondents about the statement and this might negatively impact on data reliability (Musaibah et al., 2023).

Asked whether, “**The bank pays attention to risks posed by the business environment**” the respondents agreed with (Mean = 3.32; SD=1.236). This may attributed to the appreciating that it doesn’t operate in a vacuum and those

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much it might to be so conscious about credit risk, the forces from the business environment such competition, interest rates and inflation among others might also be responsible a reasonable portion of the extent to which the bank performs. A standard deviation of 1.236 however points to a very high variation amongst the views of the respondents about the statement and might have very adverse effect on data reliability. The results agree with Muriuki et al., (2013) who wrote that a change in interest rate by the central bank directly affects the commercial banks financial performance as it has a bearing on the key activities defining its core operations. For instance, if the commercial bank had given a loan at 7% per annum and in between that period, the central bank changes the interest rate to 4%; this affects the profitability of the commercial bank since they have already projected the profit on that particular client (Wegulo et al., 2023).

On whether, “**the bank pays attention to risks posed by the political environment**”, the respondents agreed with (Mean = 3.23; SD=1.126). This may be attributed to any incidences where the bank projects the probable consequences of the probable political environment in directing its lending activities for tolerable credit risk. A standard deviation of 1.126 however points to a very high variation amongst the respondents’ opinions about the statement and this might have a huge negative impact on the reliability of the data (1 Ourien Isaac, 2 Dr Ariyo Gracious Kazaara, 2023).

Descriptive statistics on Risk Assessment

A number of statements were posed to the respondents in regard to risk assessment. A summary of the findings is presented in table 2 below.

Table 2: Descriptive Statistics on Risk assessment					
	N	Minimum	Maximum	Mean	Std. Deviation
The bank has a framework for credit risk assessment	111	2	5	3.65	.598
The framework guides the bank on the assessment of the various credit risks	111	1	5	3.54	1.158
The bank assesses credit risk by appraising the character to pay of the prospective borrowers	111	1	5	2.91	.949
The bank assesses the capacity to pay of the prospective borrower.	111	1	5	3.71	.985
The bank evaluates the collateral presented by the borrower	111	1	5	3.25	.977
The bank assess the underlying economic environment for guiding a loan decision	111	2	5	3.07	.881
The bank goes ahead to appraise the guarantors	111	2	5	2.86	.862

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presented by the borrower					
The bank pays attention to the past repayment history of the borrower.	111	2	5	3.13	.832

Source: Primary data (2022)

On whether, “**The bank has a framework for credit risk assessment**”, the respondents agreed with (Mean = 3.65; SD=0.598). This may be attributed to an established set of guidelines that drive the risk assessment function of the bank for improved performance. This way, the bank staffs probably know the particular areas of concern that ought to be given the desired attention so as to avert the risk from occurring. A standard deviation of 0.598 however points to a relatively moderate variation amongst the opinions of the respondents about the statement and hence a moderate effect on data reliability (Kazaara & Kazaara, 2023).

Regarding whether, “**The framework guides the bank on the assessment of the various credit risks**”, respondents agreed with (Mean = 3.54; SD=1.158). This may be linked to the various activities performed by the bank regarding credit risk assessment that stem from the established bank guidelines on risk assessment. For example, client screening, business analysis information analyses as well as collateral valuation among others are usually well documented activities of the credit risk assessment function in a bank. A standard deviation of 1.158 however points to a higher variation amongst the views obtained from the respondents about the statement and this might negatively affect data reliability (Lydia et al., 2023).

Asked whether “**The bank assesses credit risk by appraising the character to pay of the prospective borrowers**”, the respondents were neutral with (Mean = 3.91; SD= 0.949). This may attributed to the fact that the prevailing level of competition for customers within the banking industry most of the times forces banks to lend without close observation to the basic pillars such as character of the borrower that would form the basis for making the best lending decisions. A standard deviation of 0.949 however points to a relatively high variation amongst the views obtained from the respondents about the statement and hence may have an adverse effect on the reliability of the data (Frank et al., 2023).

On whether, “**The bank assesses the capacity to pay of the prospective borrower**”, respondents agreed with (Mean = 3.71; SD = 0.985). This could probably be attributed to the bank being well aware that its ability to profit from credit business derives from credit turnover matched with adequate recovery rates from the loan clients. This way, capacity to pay is judged on capital invested and the level of cash flows of the prospective borrowers in relation to the proposed loan installment. A standard deviation of 0.985 is however an indicator of a relatively high variation amongst the opinions of the respondents about the statement and this might adversely affect data reliability (Ramadhan et al., 2023).

Regarding whether, “**The bank evaluates the collateral presented by the borrower**”, the respondents generally agreed with (Mean = 3.25; SD = 0.977). This may attributed to the bank taking collateral as shield against the risk

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of default with reasoning that in the event that the customer defaults on the loan granted, the bank is at liberty to seize the collateral and liquidate it to recover the outstanding amount. A standard deviation of 0.977 is however and of relatively high variation amongst the views generated from respondents about the statement which might adversely affect data reliability (Ronald et al., 2023a).

Asked whether, “**The bank assesses the underlying economic environment for guiding a loan decision**”, the respondents were generally neutral (Mean = 3.07; SD=0.881). This may be attributed to a mixed attention the bank gives to the evaluation of economic environment within which it operates. For example, the bank continuously sets very high-performance targets for credit officers irrespective of the general economic conditions in the country such as interest rates, inflation and the exchange rate yet this directly affects portfolio performance and overall financial performance (Seth & Ntirandekura, 2022). A standard deviation of 0.881 however points to relatively higher variation amongst the views generated from the respondents about the statement and this might negatively impact on data reliability. For instance, if the commercial bank had given a loan at 7% per annum and in between that period, the central bank changes the interest rate to 4%; this affects the profitability of the commercial bank since they have already projected the profit on that particular client.

On whether, “**The bank goes ahead to appraise the guarantors presented by the borrower**”, the respondents were neutral with (Mean = 2.86; SD = 0.862). This may attributed to the bank staff charged with executing credit appraisal giving little attention to third party guarantors with regard to the loan obligation of the prospective borrowers since in most cases it ends up as personal liability. A standard deviation of 0.862 however points to relatively high variation amongst the views of the respondents about the statement and this might gave an adverse effect on data reliability.

Regarding whether, “**The bank pays attention to the past repayment history of the borrower**”, respondents generally agreed with (Mean = 3.13; SD =0.832). This may be attributed to established guidelines by the bank that ask the respective staff to among other things pay reasonable attention to the credit history of the prospective borrower including the repayment history so as to form the basis of the loan amount, the monthly installment and the loan tenure among others. A standard deviation of 0.832 however points to relatively high variation amongst the views generated from the respondents about the statement which might negatively affect data reliability.

Descriptive Statistics on Risk Control at Pride Micro Finance Uganda

A number of statements were posed to the respondents in regard to risk identification. A summary of the findings is presented in table 4.9 below.

Table 3 Descriptive Statistics on Risk Control at Pride Micro Finance Uganda Limited					
	N	Minimum	Maximum	Mean	Std. Deviation
The bank has a framework on credit risk Control	111	2	5	3.41	.868
The framework guides the bank on how to mitigate various risks that threaten the credit function	111	1	5	2.80	1.127

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The bank charges collateral as a shield against the risk of default	111	1	5	3.41	.929
The bank defines acceptable levels of portfolio at risk (PAR)	111	1	5	3.61	.906
The bank registers mortgages and caveats on the collateral it accepts.	111	1	5	3.56	.979
The bank insures certain collateral choices comprehensively	111	2	5	3.79	.648
The bank insures all borrowers under the life insurance scheme	111	2	5	3.02	.853
The bank engages into rigorous loan monitoring	111	1	5	2.93	1.059

Source: Primary data (2022)

On whether, “**The bank has a framework on credit risk Control**”, respondents agreed with (Mean = 3.41; SD=0.868). This may be attributed to an established set of guidelines by the bank that drives the risk Control activities by the bank with intent of reducing the default risk and harness financial performance of the bank. For example, the bank may be taking up loan insurance policies to guard against default in the event that business of the borrower collapses. It may also be undertaking life insurance policies for aiding recovery in the event that a borrower dies during the course of the loan. A standard deviation of 0.868 is however an indicator of relatively high variation amongst the views sought from respondents about the statement and this may have an adverse effect on data reliability (Ntirandekura & Christopher, 2022).

Asked whether, “**The framework guides the bank on how to mitigate various risks that threaten the credit function**”, respondents were neutral with (Mean = 2.80; SD=1.127). This may be attributed to the picking on whatever tool it considers fit for mitigating credit risk other than those highlighted in the risk Control framework. Thus, to the respondents, much as the guidelines for mitigating credit are present at the bank, the effective usage by the bank to manage credit risk is something that is not well practiced. There is however a high variation amongst the views of the respondents about the statement indicated by a standard deviation of 1.127 which might have very adverse effects on data reliability (Ntirandekura et al., 2022).

Regarding whether, “**the bank charges collateral as a shield against the risk of default**”, respondents agreed with (Mean = 3.41; SD=0.929). This may be attributed to the undertaking well cultivated risks aimed at minimizing loan loss and the default risk. Thus, by charging collateral as a shield against default risk, the bank is at liberty to dispose it off and recover the outstanding loan balance. There is however a high variation amongst the views gathered from the respondents about the statement indicated by a standard deviation of 0.929 which may have a negative effect on data reliability (Christopher et al., 2022).

Asked whether, “**the bank defines acceptable levels of portfolio at risk (PAR)**”, respondents agreed with (Mean = 3.61; SD=0.906). This could be attributed to the being mindful of the consequences of huge NPLs on portfolio performance and the overall financial performance of the bank. There is however a high variation with regards to the

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respondents' views about the statement indicated by a standard deviation of 0.906 which negatively affect the reliability of the data.

On whether, “**the bank registers mortgages and caveats on the collateral it accepts**”, respondents agreed with (Mean = 3.56; SD = 0.979). This could be attributed to the bank's will of subduing all the probable risk that would emanate from insufficient collateral perfection. Thus, by registering mortgages and caveats; the bank is guaranteed of formal third-party interest that would in turn make it difficult for fraud stars to hoodwink the bank and any prospective property buyers. A standard deviation of 0.979 however points to higher variation amongst the views generated from respondents and this might have a negative impact on data reliability.

Asked whether, “**the bank insures certain collateral choices comprehensively**”, respondents agreed with (Mean = 3.79; SD= 0.648). This may attribute to a high risk possessed by some of the collateral choices of the bank. For example, taking a motor vehicle as collateral might prove too risk since the vehicle is very mobile and hence exposed to high risks of accidents and other damages including theft. Thus, by the bank choosing to request comprehensive insurance of such a security from the customer, it aims at reducing such risks. A standard deviation of 0.648 however indicates a relatively moderate variation amongst the views of the about the statement and this might moderately affect data reliability.

As to whether, “**the bank engages into rigorous loan monitoring**”, respondents were neutral with (Mean = 2.93; SD=1.059). This may be attributed to the carrying out loan monitoring selectively or the fact that the only monitors problematic loans especially the NPLs. A standard deviation of 1.059 however points to a high variation with regards to the views of the respondents about the statement and this might affect data reliability adversely.

Descriptive statistics on Financial Performance

A number of statements were posed to the respondents in regard to financial performance. A summary of the findings is presented in table 4.10 below.

Table 4: Descriptive Statistics on Level of Financial Performance at Pride Micro Finance Uganda					
	N	Minimum	Maximum	Mean	Std. Deviation
The bank's loan portfolio cumulatively grows in volume every year	111	1	4	3.07	.970
The bank's loan portfolio quality is satisfactory and productive	111	1	5	3.16	1.210
The bank's portfolio at Risk is always within limits of the statutory minimum	111	1	4	2.88	1.077
The bank makes low provisions for bad debts	111	1	4	2.67	1.170

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The bank's loan interest income to loan interest expense is healthy and competitive	111	1	5	2.77	1.228
The bank has a sound liquidity position	111	1	5	3.40	1.309
The bank's deposit to credit ratio is always in agreement with the statutory minimum	111	1	5	3.32	1.556
The bank's loan portfolio quality is competitive compared with industrial standards	111	1	5	3.23	1.388
The bank's profitability is not affected by written off loans	111	1	5	3.35	1.431
The bank's NPL ratio is within acceptable limits	111	1	4	2.73	1.235
The bank is solvent and is a going concern	111	1	5	3.44	1.084
The earnings quality is competitive and attractive	111	1	4	1.95	1.008

Source: Primary data (2022)

Going by the results of table 4 above, it could not be established whether the bank's loan portfolio cumulatively grew in volume every year although the respondents generally agreed that the bank's loan portfolio quality is satisfactory and productive. It also not be ascertained whether, the bank's portfolio at Risk is always within limits of the statutory minimum and equally, it was not established as to whether the bank makes low provisions for bad debts (Nelson & Christopher, 2022).

Further still, it was not clear as to whether; the bank's loan interest income to loan interest expense is healthy and competitive although the findings revealed that the bank has a sound liquidity position. It also came out clearly that the bank's deposit to credit ratio is always in agreement with the statutory minimum and that the bank's loan portfolio quality is competitive compared with industrial standards (Ronet et al., 2023).

The results further revealed that the bank's profitability is not affected by written off loans although it wasn't clear from the respondents as to whether the bank's NPL ratio is within acceptable limits.

The effect of Credit Risk Identification on financial performance of Pride Micro Finance Uganda.

Table 5: Correlations between Credit risk identification and Financial Performance

		Risk Identification	Financial Performance
Risk Identification	Pearson Correlation	1	.591**
	Sig. (2-tailed)		.000
	N	111	111
Financial Performance	Pearson Correlation	.591**	1

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	Sig. (2-tailed)	.000	
	N	111	111
Correlation is significant at the 0.01 level (2-tailed).			

Source: Primary data 2022

The results of Pearson's two tail statistic reveal that credit risk identification has a positive significant relationship with financial performance indicated by a correlation value of $r = 0.591^{**}$; $P < 0.01$ as presented in table 5 above. The results further imply that an improvement in risk identification results into a more than average improvement in financial performance of the commercial banks. The research findings are in agreement with Lagat et al., (2017); Wanjohi (2012); Kinyua (2010) as well as Muriuki et al., (2013) among others who found a positive significant relationship between risk identification and financial performance (Mark et al., 2023).

The effect of Credit Risk assessment on financial performance at Pride Micro Finance Uganda

Table 6: Correlations between Credit risk assessment and Financial Performance

		Risk Assessment	Financial Performance
Risk Assessment	Pearson Correlation	1	.486**
	Sig. (2-tailed)		.000
	N	111	111
Financial Performance	Pearson Correlation	.486**	1
	Sig. (2-tailed)	.000	
	N	111	111
Correlation is significant at the 0.01 level (2-tailed).			

Source: Primary data 2022

The results of Pearson's two tail statistic reveal that credit risk assessment has a positive significant relationship with financial performance indicated by a correlation value of $r = 0.486^{**}$; $P < 0.01$ as presented in table 5. The results further imply that an improvement in risk assessment results into an average improvement in financial performance of the commercial banks. The findings are in agreement with Higgins (2009); Greenidge & Grosvenor (2010); Luo & Chen (2017); Siba (2012) and Mara (2016) among other scholars whose works revealed a positive significant relationship between risk assessment and financial performance (Tasha et al., 2023).

The relationship between Credit Risk Control and financial performance at Pride Micro Finance Uganda

Table 6: Correlations between Risk Control and Financial Performance

		Risk Control	Financial Performance
Risk Control	Pearson Correlation	1	.405**
	Sig. (2-tailed)		.000

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	N	111	111
Financial Performance	Pearson Correlation	.405**	1
	Sig. (2-tailed)	.000	
	N	111	111

Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data 2022

The results of Pearson's two tail statistic reveal that credit risk Control has a positive significant relationship with financial performance indicated by a correlation value of $r = 0.405^{**}$; $P < 0.01$ as presented in table 6 above. The results further imply that an improvement in risk Control results into a less than average improvement in financial performance of the commercial banks.

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.665 ^a	.442	.427	.673

• Predictors: (Constant), Risk Control, Risk Assessment, Risk Identification

Source: Primary data 2022

On the overall, the results of the regression model summary (Table 7) indicated that the examined measures of Credit Risk Management explained 42.7% of the variation in financial performance at Pride Micro Finance Uganda. Therefore, other factors that were not part of this study explain 57.3% of the variation in financial performance of Pride Micro Finance Uganda (Nelson et al., 2023).

Table 8: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.255	.170		-1.496	.137
	Risk Identification	.502	.102	.417	4.917	.000
	Risk Assessment	.450	.173	.219	2.608	.010
	Risk Control	.334	.115	.221	2.889	.005

a. Dependent Variable: Financial Performance

Source: Primary data 2022

Relatedly, table 8 shows the regression coefficients from a model employed to measure the degree of relationship among study variables. The results of the regression model revealed that risk identification contribute greatly to

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improving financial performance with a beta value of 0.417. Further still, the results indicate that risk Control comes second in improving financial performance given a beta value of 0.221 (Ronald et al., 2023a). Similarly, risk assessment has a relatively lesser contribution in relation to other examined measures of Credit Risk Management Practices on financial performance with beta value of 0.219. The results agree with both descriptive statistics and the associated correlation statistics that unsatisfactory financial performance is averagely due to ineffective credit risk management.

Conclusions

Going by the descriptive statistics, the associated correlations as well as regression analysis results, the researcher concludes that all the examined dimensions of Credit Risk Management Practices (Credit risk identification, Credit risk assessment and credit risk Control) are positively and significantly associated with financial performance of the bank with correlation coefficients of 0.591; 0.486 and 0.405 respectively. More specifically however, risk assessment has the highest contribution on financial performance given a beta value of 0.417. This is followed by risk Control with a beta value of 0.221 while risk assessment contributes 0.219 to financial performance. The results thus imply that effort ought to be devoted to enhancing staff ability to identify credit risks and management ought to come up with the tailored measures to mitigate the identified risks to harness financial performance of the bank.

Recommendations

The management of the bank should enhance staff capacity to execute objective identification of credit related risks. This is because risk identification has the highest contribution to financial performance. Thus, by identifying all the risks associated with the credit operations of the bank such as risks due to collateral choices, sources of incomes, guarantors, the information generated from the prospective customers, the economic, political, social and cultural environment within which the bank operates and the competition intensity within the banking industry among others.

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