
ASSESSING THE EFFECT OF CREDIT RISK MANAGEMENT ON THE PERFORMANCE OF FINANCIAL INSTITUTIONS IN UGANDA, A CASE STUDY OF PRIDE MICROFINANCE, NANKULABYE BRANCH**1 Happy Brenda, 2 Prof Nafiu Lukman Abiodun, 3 Ngiri Andrew****1, 2, 3 Metropolitan International University****ABSTRACT**

The study aimed at assessing the effect of credit risk management on the performance of financial institutions in Uganda and it was guided by the following objectives; To examine the effect of Credit Risk identification on financial performance of Pride Microfinance Ltd Nakulabye branch, Kampala City, to analyse the effect of Credit Risk assessment on financial performance of Pride Microfinance Ltd Nakulabye branch, Kampala City and to investigate the relationship between Credit Risk control and financial performance of Pride Microfinance Ltd Nakulabye branch, Kampala City. The descriptive design was adopted, which aimed at assessing the effect of credit risk management on the performance of financial institutions in Uganda. The descriptive research design refers to the systematic process of gathering descriptions of existing phenomena. The results yielded an adjusted R^2 value of 0.735 at significance 0.000 suggesting that on credit risk management were high significant predictors of the variance in the financial performance of the pride microfinance ltd, nankulabye branch as they predicted 73.5% of the variance in the financial performance while other variable predicted the remainder of 26.5% of the variance in the financial performance. This had commercial and mortgage banking institutions' performance policy implications in that the achievement of the desired level of sales revenue and profitability depends on observance of effective risk management practices. Risk assessment was the highest predictor of the variance in financial performance of the bank ($\beta = 0.644$, $t=8.153$, $\text{sig} = 0.000$). This was followed by risk identification ($\beta= 0.243$, $t=3.377$, $\text{sig} = 0.001$). To achieve the desired sales revenue and profitability, the study recommends that the management of FIs should constantly identify and regulate the bank's ability to absorb the credit risk, undertake to classify bond and money markets credit related risk in their credit risk identification. The above should be guided by a philosophy of continuously exploring all possible risk origins and their classification to guide credit risk assessment.

Key words: credit risk management, performance and financial institutions**Background to the study**

Brindley (2017) asserts that credit score hazard control emerged inside the Sixties and this became specifically due to the worldwide competition, technological exchange and the continuous search for aggressive gain. John (2017) asserts that again in Nineteen Eighties, there was no danger control branch inside the monetary

institutions and handiest the economic organization head trader had the revel in and authority to rule on negative trades and feature them unwound (Godfrey et al., 2023). In Uganda, failure of Micro finance institutions to manipulate their credit risk properly led to critical catastrophes like financial group closure (Kazaara &

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Christopher, 2023). A giant portion of the mortgage portfolio was classified as non-appearing as each most important and interest bills had been in arrears for a large time. The report of November 30, 2018 discovered that insider loans accounted for over forty percentage of the gross loan portfolio (economic organization of Uganda record, 2019). This has a look at changed into underpinned by way of the ethical hazard or unfavorable incentives theory first proposed by means of (Derrick et al., 2023). He posits at the detrimental incentives on financial institution proprietors to behave in approaches which might be opposite to the pursuits of the monetary group's lenders especially depositors or the authorities if it explicitly or implicitly insures deposits, through task risky investment/lending techniques which includes lending at high interest prices to high-danger debtors which, if unsuccessful, would jeopardize the solvency of the economic organization. monetary (Oromo et al., 2023) are metrics companies use to music, degree, and examine the monetary health of the business enterprise. those monetary KPIs fall underneath a ramification of categories, including profitability, liquidity, solvency, efficiency, and valuation. satisfaction Microfinance Ltd (MDI) (delight) is a Microfinance Deposit- taking organization (MDI) regulated and supervised via bank of Uganda (BoU) under the MDI Act, 2018 and MDI policies, 2017 (Services et al., 2023). From inception, satisfaction has grown to emerge as the main MDI in Uganda, supplying revolutionary economic solutions to the economically inclined human beings (Alex et al., 2023). Delight serves its customers through 34 networked branches spread across the country and 10 contact workplaces (pleasure Microfinance document, 2020).

Satisfaction Microfinance Ltd has in region a credit chance management crew, proper and clear guidelines for handling credit score chance which constitute the preeminent supply of reference and guidance on credit risk control practices in the financial banking industry (Ramadhan et al., 2023).

Problem Statement

Satisfaction Microfinance Ltd has in region a credit hazard control group, right and clear suggestions for handling credit danger which represents the preeminent supply of reference and steering on credit risk control practices in the financial banking industry (Alex & Kazaara, 2023). The crew aims to aid the objective of pleasure Microfinance Ltd thru supplying statistics and steering to permit the implementation and protection of a powerful credit portfolio and to discover, examine and mitigate the credit risks that threaten the attainment of the financial group's goals of profitability and sales boom (Polycarp et al., 2023). Because of powerful credit score threat control, pride Microfinance has registered low credit score threat and consequently its mortgage portfolio has been one of the exceptional appearing within the microfinance industry in Uganda (Annet et al., 2023). thru its complex credit manuals formulated in compliance with the economic organization credit score policy geared toward coping with credit score danger and additionally regular training of team of workers within the field of credit management, the institution has celebrated profitability for over the past 5 (five) consecutive years (Audited monetary assertion, 2020). But, despite all the above measures that pride Microfinance Ltd has undertaken to mitigate credit score

risk, it's miles unfortunate that the economic organization keeps to experience some terrible debts and declining profitability levels. Poorly deliberate credit score products and partnerships had been not unusual, a state of affairs related to a sick- managed credit hazard control device in the micro deposit taking organization (Paul et al., 2023). The increases in internet loss and horrific money owed have had a destructive impact of reducing at

the income revenue and profitability of the financial institution (Chijoriga, 2017 & Bewley et al, 2018)). It is in this basis that this observe became undertaken to observe the effect of credit score chance management at the overall performance of financial establishments in Uganda, the usage of delight Microfinance as a case look at (Racheal et al., 2023).

Objectives of the study

- To examine the effect of Credit Risk identification on financial performance of Pride Microfinance Ltd Nakulabye branch, Kampala City
- To analyse the effect of Credit Risk assessment on financial performance of Pride Microfinance Ltd Nakulabye branch, Kampala City
- To investigate the relationship between Credit Risk control and financial performance of Pride Microfinance Ltd Nakulabye branch, Kampala City

Research Questions

- What is the effect of Credit Risk Identification on financial performance of Pride Microfinance Ltd Nakulabye branch, Kampala City?
 - What is the effect of Credit Risk assessment on financial performance of Pride Microfinance Ltd Nakulabye branch, Kampala City?
3. What is the relationship between Credit Risk control and financial performance of Pride Microfinance Ltd Nakulabye branch, Kampala City?

Methodology

Research Design

A research design is a strategy for conducting the research that specifies the procedures necessary to obtain the information needed to structure and solve the research problems (Cooper and Schindler, 2017). The descriptive design was adopted, which aimed at assessing the effect of credit risk management on the performance of financial institutions in Uganda. The descriptive research design refers to the systematic process of gathering descriptions of existing

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phenomena in order to describe or explain what is going on (Ololube, 2019). A descriptive research design was adopted for the study since it focuses on the people as well as their attributes which enable the investigator to understand and examine the influence of credit risk management on the performance of financial institutions in Uganda. This was achieved using a survey questionnaire, observation schedule, and document analysis.

Study Population

The study population concentrated on the employees of Pride Microfinance Ltd, Nakulabye Branch. According to the HR records, there are 70 employees at Pride Microfinance Ltd, Nakulabye (Ntayi, Mutebi, Kamanyi, & Byangwa, 2018).

Sample size and selection

A sample size refers to the number of subjects in a sample (symbolized by n) or a subset of a population (Creswell, 2017). Based on the Krecjie and Morgan (1970) sampling table the sample size was 62 respondents

Sampling Techniques and Procedures

The study employed both probability and non-probability sampling techniques.

Probability sampling

A probability sampling method is any method of sampling that utilizes some form of random selection. In order to have a random selection method, you must set up some process or procedure that assures that the different units in your population have equal probabilities of being chosen. The probability sampling approach involves selecting a sample in such a way that all the elements in the population have same chances of being selected (Amin, 2019). The simple random sampling technique was also used such that all population elements are accorded a proportionate likelihood of being nominated within the sample.

Data Collection Instruments

Questionnaires

Self-Administered Questionnaires (SAQ) was employed to gather data from the study elements in a structured manner. SAQs with one open ended question per section was designed for SME employees to give additional or express their mind while the rest was close-ended aimed at testing perception using a five-point likert scale measuring from Strongly Disagree as response 1, Disagree as response 2, Not sure as response 3 Agree as response 4 and Strongly Agree as response 5 for easy measurements of variables (Jackson, 2019).

Reliability of the instruments

Reliability refers to whether scores to items on an instrument are internally consistent (i.e., are the item responses consistent across constructs), stable over time (test-retest correlations), and whether there was consistency in test administration and scoring (Creswell, 2017).

The consistency and trustworthiness of the qualitative instruments were upheld by the researcher through checking the tools to ensure that they were free from errors that may have been made in transcription (Gibbs, 2017).

Internal consistency method was used where a single pre-test cluster is assessed. This method showed the extent to which the aspects of the questionnaire are interrelated. This was done with the aid of the Cronbach Co-efficient Alpha, which evaluated the dependability of the quantitative research tool. The Alpha varies; from 0 to 1 and a value of 0.6 or less generally indicates unsatisfactory internal consistency or reliability (Malhotra, 2016), while Cooper & Schindler (2018) indicate that a coefficient of 0.7 shows a consistent research tool. The Cronbach's coefficient alpha (α) was computed as follows:

$$\alpha = \frac{k}{(k-1)} \frac{1 - \sum \sigma^2_k}{\sigma^2}$$

Where $\sum \sigma^2_k$ = the sum of variances of the k parts (usual items) of the test. α = Cronbach's coefficient alpha. k = Standard deviation of the test.

Alpha was preferred because the questions had choices to be made, to which different weights were attached. A reliability coefficient 0.7 was considered acceptable. For the qualitative instruments, the researcher ensured reliability by checking the instruments to make sure that they were free from errors that may have been made in transcription.

Data Analysis

This is the process of bringing order, structure, and meaning to the mass of raw information gathered for purposes of getting a feel for reliability and testing the research questions (Sekaran, 2018). Initially, data was entered into MS Excel computer program for cleaning. The data was also imported to SPSS version 23 statistical software for investigation (Nelson et al., 2022). Quantitative data analysis entailed descriptive statistics and inferential statistics. Descriptive statistics involved analysis using frequencies, percentages, mean, charts, and standard deviation. The Analysis of central tendency and dispersion based on; a 5-point likert scale ranging from strongly agree to strongly disagree. Similarly, inferential statistics was done based on the Pearson's correlation coefficient and linear regression analysis.

Quantitative data was analyzed by reporting of summary results in numerical terms and was presented using a percentage distribution technique but maintaining a specified degree of confidence (Creswell, 2017). While Qualitative data was analyzed in the form of texts and themes, yet impressions was examined and presented using descriptive methods for in depth analysis using E-views (Nelson et al., 2023). In addition, qualitative data is flexible, needs more checking and auditing at all steps of the analysis as well as careful archiving of each step of the analysis for later

checking. Conversely, qualitative research offers an overall approach that provides the backbone for the analysis (Strauss & Corbin, 2018).

RESULTS

Table 1: showing the mean and standard deviation of credit risk identification in Pride Microfinance Ltd, Nankulabye Branch

Response	Mean	S.D
Adequate effort is undertaken to identify existing sources of credit risks to Pride Microfinance Ltd, Nankulabye Branch	4.20	.738
Pride Microfinance Ltd, Nankulabye Branch always strive to establish consumer credit risk sources	4.19	.730
Pride Microfinance Ltd, Nankulabye Branch always strive to establish corporate credit risk sources	3.93	.828
Pride Microfinance Ltd, Nankulabye Branch always strive to establish regulatory risk related to loan advances to customers	1.88	.966
Effort is undertaken to establish the bank's ability to absorb credit losses	1.86	.955
Past records are always emphasized in identifying how credit loss was likely to occur	4.17	.746
Pride Microfinance Ltd, Nankulabye Branch has undertaken efforts to classify Bond related risks	1.98	1.042
Pride Microfinance Ltd, Nankulabye Branch has undertaken efforts to classify retail lending related risks	3.71	.983
Pride Microfinance Ltd, Nankulabye Branch has undertaken efforts to classify corporate lending related risks	4.14	.840
Pride Microfinance Ltd, Nankulabye Branch has undertaken efforts to classify money markets related credit risks	1.90	.977

Source: Primary data, 2022

Table 1 above shows that the respondents agreed and as well as disagreed with the questions on risk origin in Pride Microfinance Ltd, Nankulabye Branch. The standard deviation ranged from 0.738 to 0.966 which was relatively narrow suggesting that most means did not deviate from the central mean by a big margin. The overall results are

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indicative of mixed experiences of adequate identification of some aspects of risk origin as well as failure to adequately identify some credit risk origins in the bank (Victor et al., 2022).

Item 1 which asked if adequate effort was undertaken to identify existing sources of credit risks to Pride Microfinance Ltd, Nankulabye Branch received the highest mean of 4.20 followed by item 2 which asked

if the Pride Microfinance Ltd, Nankulabye Branch always strived to establish consumer credit risk sources (mean = 4.19) and item 6 which asked if past records were always emphasized in identifying how credit loss was likely to occur. These findings suggested adequate emphasis to consider previous records to identify sources of credit risk, establishment of consumers' credit risk sources which helps guide the risk analysis and control process leading to effective mitigation of credit in the bank thereby contributing to revenue loss prevention and fostering of health Return on Asset and Return on Equity (Polycarp et al., 2023).

However, item 5 which asked if effort was undertaken to establish the bank's ability to absorb credit losses and item 4 which asked if Pride Microfinance Ltd, Nankulabye Branch always strived to establish regulatory risk related to loan advances to customers received the lowest means of 0.86 and 0.88 respectively suggesting that the respondents disagreed with the efforts to identify credit risk implications at these points. These findings suggested that credit risk identification in the bank did not adequately consider the regulatory risk related factors and the bank's ability to absorb the credit related losses which constrains effective risk analysis and control for failure to expose such adverse risk origins (Faridah et al., 2023). The failure to identify regulatory and the bank's ability to absorb the credit risk constrain the achievement of the desired financial performance expectations in the event that the bank is exposed to such unknown credit risk origins. It was necessary that the management of the bank adequately considers the regulatory credit risk sources and the bank's ability to absorb credit risk to foster a healthy financial performance.

Similarly, Table 1 above shows that the respondents agreed and as well as disagreed with the questions on risk classification in Pride Microfinance Ltd, Nankulabye Branch. The standard deviation ranged from 0.840 to 1.042 which was relatively narrow suggesting that most means did not deviate from the central mean by a big margin. The overall results are indicative of mixed experiences of efforts to classify some aspects of credit risk and failure to adequately classify some credit risks in the bank.

According to table 1, the respondents agreed that Pride Microfinance Ltd, Nankulabye Branch had undertaken efforts to classify corporate lending related risk (mean = 4.14) while they also agreed that the bank undertook to classify retail lending related risks (mean = 3.71) findings which revealed that adequate efforts to classify corporate and retail lending risks in the risk identification practices of the bank. The efforts to classify corporate and retail lending risks

should be commended as it helps guide the risk analysis and risk control processes leading to effective mitigation of credit risk thereby minimizing revenue loss (Musaibah et al., 2023).

On the other hand, the respondents disagreed that the bank took efforts to classify Bond related risks (mean = 1.98) and money markets related credit risks (mean = 1.90) finding which suggested that less efforts was undertaken to classify bond and money markets credit related risk in the risk analysis practices of the bank which exposes the bank to suffer such risks when they manifest. The prevalence of such silent and un- catered for credit risks if exposed to the bank compromises the banks sales revenue and profitability to the losses suffered. It was necessary that effort is undertaken to classify bond and money market related risks for health financial performance in the bank (Moses et al., 2023).

Correlation results

Table 2: Correlation Matrix between Credit Risk Identification and Financial Performance

Variable		1	2
1. Credit Risk Identification	Pearson Correlation	1.000	
	Sig. (2-tailed)		
2. Financial Performance	Pearson Correlation	.495**	1
	Sig. (2-tailed)	.000	
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Primary data, 2022

Table 2 above shows Pearson's correlation coefficient $r = 0.495^{**}$ and $p = 0.000$ between credit risk identification and financial performance suggesting that there was a high positive significant relationship between credit risk identification and financial performance of Pride Microfinance Ltd, Nankulabye Branch at a 99% confidence limit. This finding suggested that effective identification of credit risk through identification of credit related risk origin and its classification has a resultant significant positive effect on the financial performance of the bank. This study therefore confirmed the hypothesis that:

There is a positive relationship between credit risk identification and financial performance of financial institutions in Uganda.

Regression Results

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To establish the extent to which the credit risk identification influenced financial performance of Pride Microfinance Ltd, Nankulabye Branch, a simple regression analysis was conducted using the ANOVA techniques of adjusted R^2 , standardized beta values, t-values and the significance measured at 0.05 levels. The results are tabulated in the Table 8 below.

Model	R	R Square	Adjusted R Square	t-value	F-constant	Sig	Std. Error of the Estimate
1	.495 ^a	.245	.231	4.297	18.468	0.000	0.767
a. Predictors: (Constant), credit risk identification							

Table 3: Regression results between on the credit risk identification and financial performance

$P \leq 0.05$

Source: Primary data, 2022

The regression model in table 3 above shows adjusted R^2 value of 0.231 between credit risk identifications and financial performance suggesting that the credit risk identification alone predicted 23.1% of the variance in the financial performance of Pride Microfinance Ltd, Nankulabye Branch. The adjusted $R^2 = 0.231$, $t = 4.297$, $F = 18.468$ and significance 0.000 suggested that the credit risk assessment was a significant predictor of the variance in financial performance of Pride Microfinance Ltd, Nankulabye Branch. The study therefore confirmed the hypothesis that there is a positive relationship between Risk Identification and the performance of Financial Institutions in Uganda (Racheal et al., 2023).

The effect of Risk assessment on financial performance of Pride Microfinance.

Table 4: showing the mean and standard deviation of credit risk assessment in Pride Microfinance Ltd, Nankulabye Branch

Response	Mean	S.D
The credit risk rating system provides adequate qualitative data necessary for decision making on credit to borrowers	2.46	1.250
The credit risk rating system provides adequate quantitative data necessary for decision making on credit to borrowers	2.51	1.251
Effort is undertaken to collect risk data on new credit products	2.41	1.191

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The credit application evaluations in Pride Microfinance Ltd, Nankulabye Branch is effective in ensuing a good portfolio quality	4.29	.911
The bank information system can adequately identify concentrations of credit risk	4.25	.902
The bank information system is reliably in providing information for early remedial action on deteriorating or problem credit	2.31	1.235
The bank information system is reliably in providing information on credit quality	4.31	.815
Pride Microfinance Ltd, Nankulabye Branch boosts of responsive credit risk estimation techniques/models	4.32	.797
Adequate effort is undertaken to estimate the frequency of credit loss to Pride Microfinance Ltd, Nankulabye Branch	4.51	.626
Adequate effort is undertaken to estimate the severity of credit loss to Pride Microfinance Ltd, Nankulabye Branch	4.39	.810

Source: Primary data

Table 4 above shows that the respondents agreed and as well as disagreed with the questions on credit risk data consideration of risk analysis in Pride Microfinance Ltd, Nankulabye Branch. The standard deviation ranged from 0.815 to 1.251 which was relatively narrow suggesting that most means did not deviate from the central mean by a big margin. The overall results are indicative of mixed experiences of efforts to consider appropriate credit risk data and failure to adequately classify appropriate risk data in the bank (Kazaara & Christopher, 2023).

Item 7 which asked if the bank information system was reliably in providing information on credit quality received the highest mean of 4.31 followed by item 4 which asked if the credit application evaluations in Pride Microfinance Ltd, Nankulabye Branch was effective in ensuing a good portfolio quality (mean = 4.29) and item 5 which asked if the bank information system could adequately identify concentrations of credit risk (mean = 4.25). These findings suggested deployment of a reliable information system which provided a rich credit risk data base with potential of identify risk concentration. The emphasis of credit evaluation should equally be commended as it enables the firm to obtain relevant data necessary for credit decision making (Baganzi & Lau, 2017).

However, item 6 which asked whether the bank information system was reliably in providing information for early remedial action on deteriorating or problem credit received the lowest mean of 2.31 followed by item 3 which asked if effort was undertaken to collect risk data on new credit products (mean = 2.41) and item 1 which asked whether the credit risk rating system provided adequate qualitative data necessary for decision making on credit to borrowers

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(mean = 2.46). These findings revealed material weaknesses in the information systems capability to provide reliable data for action on none deteriorating loans. The findings also revealed failure to adequately examine new credit products risks and material weaknesses in the credit rating system to provide qualitative data which needs management attentions to provide for such policy on new credit product risk analysis and qualitative data in the credits ranking risk analysis tool.

Similarly, Table 4 above shows that the respondents agreed that Pride Microfinance Ltd, Nankulabye Branch boosted of responsive credit risk estimation techniques/models (mean = 4.32), agreed that adequate effort was undertaken to estimate the frequency of credit loss to Pride Microfinance Ltd, Nankulabye Branch (mean = 4.51) while they also agreed that the bank adequately estimated the severity of credit loss to Pride Microfinance Ltd, Nankulabye Branch (mean = 4.39). These findings revealed adequate efforts undertaken to estimate credit risk by the bank's credit risk analysis which should be commended as it helps strengthen the credit management process and enhance the credit risk controls. Asked to describe the credit risk assessment practices in Pride Microfinance Ltd, Nankulabye Branch, the Internal Auditor put it:

For individual clients, we use the five (5) Cs of credit which are character, capacity, conditions, capital and collateral. For companies we use Campari of credit which are Character, Amount, Margin, Purpose, Ability, Repayment and Insurance/ Capital. However, effort is also undertaken to use the Credit Reference Bureau (CRB) reports.

The qualitative findings seem to agree with the quantitative findings which point to the positions that although reasonable effort was undertaken to assess risk, credit assessment experienced some challenges related to the data generated by information system and personnel and a moral hazard effect by management and staff of the bank.

Correlation results

Table 5: Correlation Matrix between Credit Risk Assessment and Financial Performance

Variable		1	2
1. Credit Risk Assessment	Pearson Correlation	1	
	Sig. (2-tailed)		
2. Financial Performance	Pearson Correlation	.810**	1
	Sig. (2-tailed)	.000	
**, Correlation is significant at the 0.01 level (2-tailed).			

Source: Primary data, 2022

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Table 5 above shows Pearson's correlation coefficient $r = 0.810^{**}$ and $p = 0.000$ between on the credit risk assessment and financial performance suggesting that there was a high positive significant relationship between credit risk assessment and financial performance of Pride Microfinance Ltd, Nankulabye Branch at a 99% confidence limit. This finding suggested that effective assessment of credit risk through consideration of credit related data and classifications of credit risks has a resultant significant positive effect on the financial performance of the bank. This confirmed the hypothesis that:

There is a positive relationship between Credit Risk Assessment and performance of Financial Institutions in Uganda.

Regression Results

To establish the extent to which on the credit risk assessment influenced financial performance of Pride Microfinance Ltd, Nankulabye Branch a simple regression analysis was conducted using the ANOVA techniques of adjusted R^2 , standardized beta values, t-values and the significance measured at 0.05 levels. The results are tabulated in the Table 11 below.

Table 6: Regression results between on the credit risk assessment and financial performance

Model	R	R Square	Adjusted R Square	t-value	F-constant	Sig	Std. Error of the Estimate
1	.810 ^a	.656	.650	10.436	108.920	0.000	0.517
a. Predictors: (Constant), credit risk assessment							

$P \leq 0.05$

Source: Primary data, 2022

The regression model in Table 6 above shows adjusted R^2 value of 0.650 between on the credit risk assessment and financial performance suggesting that credit risk assessment alone predicted 65% of the variance in the financial performance of Pride Microfinance Ltd, Nankulabye Branch. The adjusted $R^2 = 0.650$, $t = 10.436$, $F = 108.920$ and significance 0.000 suggested that the credit risk assessment was a significant predictor of the variance in financial performance of Pride Microfinance Ltd, Nankulabye Branch. The study therefore confirmed the hypothesis that there is a positive relationship between Risk assessment and the performance of Financial Institutions in Uganda

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The effect of Risk controls on financial performance of Pride Microfinance.**Table 7: showing the mean and standard deviation of credit risk control in Pride Microfinance Ltd, Nankulabye Branch**

Response	Mean	S.D
The use of individual credit limits has been effective in mitigating credit risk in Pride Microfinance Ltd, Nankulabye Branch	2.22	1.190
The use of collateral has been effective in mitigating credit risk in Pride Microfinance Ltd, Nankulabye Branch	2.25	1.154
The use of credit committee reviews credit applications has been effective in mitigating risk	2.32	1.224
The consideration of risk in determining interest rates has been effective in mitigating credit risk in Pride Microfinance Ltd, Nankulabye Branch	2.41	1.261
The credit granting function in Pride Microfinance Ltd, Nankulabye Branch has adequate internal controls	2.24	1.165
Pride Microfinance Ltd, Nankulabye Branch boosts of a system which can monitor the condition of individual credit to customers	3.78	.852
Pride Microfinance Ltd, Nankulabye Branch has a well established process for monitoring approval of new credit to borrowers	4.12	.590
The credit monitoring information system is reliable in monitoring credit risk	4.46	.502
The credit recovery team has been effective in recovering none performing loans	2.17	1.191
Senior management of Pride Microfinance Ltd, Nankulabye Branch takes prompt action on identified credit risks	2.27	1.257

Source: Primary data, 2022

Table 7 above shows that the respondents disagreed with the questions on credit risk mitigation in the risk control practices of Pride Microfinance Ltd, Nankulabye Branch. The standard deviation ranged from 1.154 to 1.261 which was relatively narrow suggesting that most means did not deviate from the central mean by a big margin. The overall results are indicative of inadequate consideration of credit risk mitigation in the company credit risk control practices (1 Ourien Isaac, 2 Dr Ariyo Gracious Kazaara, 2023).

The respondents disagreed that the use of individual credit limits was effective in mitigating credit risk in Pride Microfinance Ltd, Nankulabye Branch (mean = 2.22), disagreed that the use of collateral was effective in mitigating credit risk in PRIDE Microfinance Ltd, Nankulabye Branch (mean = 2.25). The respondents also disagreed that the use of credit committee reviews credit applications was effective in mitigating risk (mean = 2.32) while they also disagreed that the credit granting function in Pride Microfinance Ltd, Nankulabye Branch has adequate internal

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controls (mean = 2.24). These finding suggested that the use of credit limits, collateral, use of credit risk to determine interest and credit review committees in the bank's credit risk control practices had not been effective in mitigating credit risk. It was necessary that the management of the bank strengthens the credit risk mitigation policies in its risk control practices as these are critical for revenue loss prevention and profitability of the bank.

Similarly, Table 7 above shows that the respondents disagreed and as well as agreed with selected questions on credit risk monitoring in the risk control practices of Pride Microfinance Ltd, Nankulabye Branch. The standard deviation ranged from 0.502 to 1.257 which was relatively narrow suggesting that most means did not deviate from the central mean by a big margin (Faith et al., 2023).

Item 8 which asked if the credit monitoring information system was reliable in monitoring credit risk received the highest mean of 4.46 while item 7 which asked whether Pride Microfinance Ltd, Nankulabye Branch had a well-established process for monitoring approval of new credit to borrowers received a high mean of 4.12. These findings revealed that the credit information system and credit approval process could be relied on in monitoring credit should be maintained for enhanced financial performance of the bank (Wegulo et al., 2023).

However, the respondents disagreed that the credit recovery team had been effective in recovering none performing loans (mean = 2.17) while they also disagreed that senior management of Pride Microfinance Ltd, Nankulabye Branch took prompt action on identified credit risks (mean = 2.27). The ineffectiveness of the credit management team and management inaction to take corrective action on raised credit risk in the credit risk monitoring practices of the bank constraints the achievement of goal of credit risk management leading to revue losses and failure to achieve the desired profitability.

Correlation results

To test the relationship between credit risk control and financial performance of Pride Microfinance Ltd, Nankulabye Branch, Pearson's correlation analysis was conducted at the 2-tailed level and the findings are presented below

Table 8: Correlation Matrix between Credit Risk control and Financial Performance

Variable		1	2
3. Credit Risk Assessment	Pearson Correlation	1	
	Sig. (2-tailed)		
4. Financial Performance	Pearson Correlation	.581**	1

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

Source: Primary data, 2022

Table 8 above shows Pearson's correlation coefficient $r = 0.581^{**}$ and $p = 0.000$ between on the credit risk assessment and financial performance suggesting that there was a high positive significant relationship between credit risk control and financial performance of Pride Microfinance Ltd, Nankulabye Branch at a 99% confidence limit. This finding suggested that effective credit risk controls through provisions of risk mitigation factors and credit monitoring have a resultant significant positive effect on the financial performance of the bank. This confirms the hypothesis that:

There is a positive relationship between Credit Risk Control and performance of Financial Institutions in Uganda.

Regression Results

Table 9: Regression results between on the credit risk control and financial performance

Model	R	R Square	Adjusted R Square	t-value	F-constant	Sig	Std. Error of the Estimate
1	.581 ^a	.337	.326	5.386	29.007	0.000	0.718
a. Predictors: (Constant), credit risk control							

Source: Primary data, 2022

The regression model in Table 14 above shows adjusted R^2 value of 0.326 between on the credit risk control and financial performance suggesting that credit risk control alone predicted 32.6% of the variance in the financial performance of Pride Microfinance Ltd, Nankulabye Branch. The adjusted $R^2 = 0.326$, $t = 5.386$, $F = 29.007$ and significance 0.000 suggested that the credit risk control was a significant predictor of the variance in financial performance of Pride Microfinance Ltd, Nankulabye Branch. The study therefore confirmed the hypothesis that there is a positive relationship between Risk controls and the performance of Financial Institutions in Uganda.

Table 10: Multiple regression results between credit risk management and financial performance

Adjusted $R^2 = 0.735$	Unstandardized	Standardized	t	Sig.
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Corresponding: Author: research.miu.ac.ug/publications

		Coefficients		Coefficients		
		B	Std. Error	Beta(β)		
1	(Constant)	-.670	.256		-2.617	.011
	Risk Identification	.232	.069	.243	3.377	.001
	Risk Assessment	.667	.082	.644	8.153	.000
	Risk Control	.218	.092	.187	2.365	.022
- Dependent Variable: Financial Performance - Independent variable: credit risk identification, assessment and control.						

P<0.05

The Multiple regression results yielded an adjusted R^2 value of 0.735 at significance 0.000 suggesting that on credit risk management were high significant predictors of the variance in the financial performance of the PRIDE MICROFINANCE LTD, NANKULABYE BRANCH as they predicted 73.5% of the variance in the financial performance while other variable predicted the remainder of 26.5% of the variance in the financial performance. This had commercial and mortgage banking institutions' performance policy implications in that the achievement of the desired level of sales revenue and profitability depends on observance of effective riskmanagement practices.

Risk assessment was the highest predictor of the variance in financial performance of the bank ($\beta = 0.644$, $t=8.153$, $\text{sig} = 0.000$). This was followed by risk identification ($\beta= 0.243$, $t=3.377$, $\text{sig} = 0.001$). The implication was that for enhanced financial performance, priority should be given to credit risk assessment through gaining of appropriate risk data and risk estimations as this will yield higher results in the short and long term. Risk identification practices of establishing credit risk origins and classifications of credit risks coupled with credit risk controls need to be equally emphasized as they were found to have a significant effect of the financial performanceof the bank.

Conclusions

The study concluded that credit risk identification significantly affected financial performance of financial institutions in Uganda. Therefore, the hypothesis that there is a relationship between risk identification and financial performance of financial institutions in Uganda was supported by the findings from the field. This therefore concluded that once risk identification, which considers risk origin and classification of risk is taken in to account, financial performance will improve through sales revenue and profitability.

The study concluded that credit risk assessment significantly affected financial performance of financial institutions in Uganda. The hypothesis that there is indeed a relationship between credit risk assessment and financial performance of financial institutions in Uganda holds true and was supported by the findings from the field. This therefore also concluded that once credit risk assessment which considers risk data and risk estimation factors is taken into account, financial performance will improve through increased sales volume and profitability.

Recommendations of the study

To achieve the desired sales revenue and profitability, the study recommends that the management of FIs should constantly identify and regulate the bank's ability to absorb the credit risk, undertake to classify bond and money markets credit related risk in their credit risk identification. The above should be guided by a philosophy of continuously exploring all possible risk origins and their classification to guide credit risk assessment.

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