**Enhancing Loan Performance through Effective Credit Risk Management: Evidence from Commercial Banks in Uganda.**

**Abstract**

**Background and Purpose:**Credit risk management is a critical determinant of the stability and performance of commercial banks. Despite its importance, poor lending practices and inadequate risk management have led to the collapse of numerous banks worldwide, including notable cases such as Northern Rock Bank in the UK and Crane Bank in Uganda. This study examines the relationship between credit risk management practices and loan performance, with a focus on identifying gaps and proposing strategies to enhance banking stability.

**Design/Methodology/Approach:**The study adopted a cross-sectional research design, collecting data from 219 respondents, including credit clients, staff, and managers of a commercial bank in Uganda. A mixed-methods approach was employed, combining quantitative data from self-administered questionnaires and qualitative insights from face-to-face interviews. Descriptive statistics, correlation analysis, and thematic analysis were used to analyze the data, providing a comprehensive understanding of the factors influencing loan performance and risk management practices.

**Findings:**The results reveal that timely repayments and effective tracking mechanisms are key strengths in loan performance, with borrowers generally making payments on time (mean = 4.37, SD = 0.98). However, gaps were identified in risk mitigation strategies, particularly in minimizing losses from defaults (mean = 2.87, SD = 0.83) and supporting borrowers facing financial difficulties (mean = 3.41, SD = 0.87). Risk management practices, such as client appraisal, were found to be structured but could benefit from enhanced scenario-based planning (mean = 3.76, SD = 0.93) and the use of advanced tools like SWOT analysis (mean = 3.66, SD = 0.87). A strong positive correlation was observed between client appraisal and loan performance (r = 0.87, p < 0.001), underscoring the importance of thorough risk assessment in improving loan outcomes.

**Practical Implications:**The study recommends strengthening risk mitigation strategies, improving borrower support systems, and leveraging technology to enhance risk assessment frameworks. Banks should also foster a culture of proactive risk management through staff training, collaborative approaches, and regular monitoring of risk management practices. These measures will help banks reduce non-performing loans, improve resilience, and achieve sustainable growth.

**Originality/Value:** This study contributes to the growing body of literature on credit risk management by providing empirical evidence from a developing economy context. It offers actionable insights for policymakers and practitioners, highlighting the need for continuous improvement in risk management practices to ensure banking stability and performance. The findings underscore the interconnectedness of risk management and loan performance, providing a roadmap for banks to enhance their operational efficiency and financial resilience.

**Introduction**

The global banking sector has experienced numerous failures over the years, many of which stem from ineffective lending practices and insufficient credit risk management. These failures have had significant repercussions, leading to the collapse of several prominent commercial banks worldwide. Examples include Northern Rock Bank in the UK, which faced severe liquidity issues (O'Connell, 2017; Congdon et al., 2019), Anglo Irish Bank in Ireland, which reported non-performing loans (NPLs) totaling €87 million (Carswell, 2013; Chu, 2014), and Pioneer Mutual Bank in Scotland, which struggled with unsustainable lending practices (Williams, 2021). Similarly, Twiga Bancorp in Tanzania encountered financial instability due to poor credit risk oversight (Tanzania Invest, 2018; Kajubi, 2019), while Imperial and Chase Bank in Kenya collapsed under the weight of mismanaged loan portfolios.

The evolution of credit risk management can be traced to the 1960s, when banks began pursuing competitive advantage through more structured lending practices (Brindley, 2004). However, during the 1980s, most banking institutions lacked dedicated risk management departments. Decision-making authority was concentrated among bank managers, who often lacked the tools and frameworks to assess risk effectively (John, 2004). By the 1990s, banks began establishing risk management units, though their role was primarily limited to risk measurement rather than active risk mitigation. This period was characterized by a lack of robust oversight, as bank managers retained ultimate decision-making power, rendering credit risk management largely ineffective (Economist Intelligence Unit report, 2019). The late 1990s marked a turning point, with credit risk management gaining prominence due to increasing financial market volatility, the rise of complex financial instruments, and significant losses incurred by banks without adequate risk management systems (Bofondi & Gobbi, 2003).

In Uganda, the banking sector has faced similar challenges, with several bank failures linked to weak credit risk management. For instance, the Bank of Greenland, which collapsed in 1998, failed to comply with its lending policies, resulting in a loan portfolio dominated by non-performing assets (Uganda Bank Statement, 1999). This trend has persisted, with other Ugandan banks experiencing failures due to rising loan defaults. A notable example is the National Commercial Bank, which was stripped of its assets by Crane Bank and the Bank of Uganda in 2012. Despite its initial recovery, Crane Bank itself declared bankruptcy in 2016 due to escalating levels of non-performing loans, which surged from 19.36 billion shillings in 2014 to 142.3 billion shillings (a 122.9% increase) by 2015 (Sennyonyi, 2018).

These cases highlight the critical role of effective credit risk management in ensuring the stability and sustainability of banking institutions. This study examines the factors contributing to poor lending performance and the role of credit risk management in mitigating bank failures, with a focus on the Ugandan banking sector. By analyzing historical and contemporary cases, this research aims to provide actionable insights to strengthen financial systems in developing economies.

**Theoretical and Empirical Literature Review**

**Theoretical Literature Review**

Credit risk management is a fundamental aspect of banking stability, with its theoretical underpinnings deeply rooted in financial economics and risk management principles. The concept gained prominence in the 1960s as banks sought to enhance their competitive edge through more systematic lending practices (Brindley, 2004). Early theoretical models emphasized the importance of evaluating borrower creditworthiness and managing loan portfolios to reduce the likelihood of defaults (Altman & Saunders, 1998). Modern portfolio theory further reinforced the necessity of diversification and risk mitigation in lending activities, highlighting the trade-off between risk and return (Markowitz, 1952).

The principal-agent theory offers another perspective on credit risk management, focusing on the conflicts of interest between bank managers (agents) and shareholders (principals). This theory suggests that managers may prioritize short-term gains over long-term stability, leading to excessive risk-taking and poor lending decisions (Jensen & Meckling, 1976). Such misalignments can result in significant financial losses and, in extreme cases, bank failures (John, 2004).

Asymmetric information theory, introduced by Akerlof (1970), also plays a pivotal role in understanding credit risk. Banks often struggle to accurately assess borrower risk due to information asymmetry, where borrowers possess more information about their financial health than lenders. This imbalance can lead to adverse selection and moral hazard, exacerbating non-performing loans (NPLs) and undermining bank stability (Stiglitz & Weiss, 1981).

The late 1990s saw the emergence of financial derivatives and complex instruments, which introduced new dimensions to credit risk management. Frameworks such as Value-at-Risk (VaR) and credit default swaps (CDS) became essential tools for measuring and mitigating credit risk (Jorion, 2007). However, these instruments also introduced new risks, as demonstrated by the 2008 global financial crisis, which exposed the limitations of existing models in predicting systemic risk (Brunnermeier, 2009).

**Empirical Literature Review**

Empirical research has extensively explored the link between credit risk management and bank performance, offering valuable insights into the causes and consequences of poor lending practices. Globally, numerous bank failures have been attributed to inadequate credit risk management. For example, Northern Rock Bank in the UK collapsed in 2007 due to its overreliance on short-term funding and poor risk assessment practices (O'Connell, 2017; Congdon et al., 2019). Similarly, Anglo Irish Bank in Ireland failed in 2009, with NPLs reaching €87 million, highlighting the severe impact of weak credit risk oversight (Carswell, 2013; Chu, 2014).

In Africa, empirical evidence reveals similar patterns. In Uganda, the Bank of Greenland collapsed in 1998 due to non-compliance with lending policies and a high proportion of non-performing loans (Uganda Bank Statement, 1999). More recently, Crane Bank, once one of Uganda's largest commercial banks, failed in 2016 after its NPLs surged from 19.36 billion shillings in 2014 to 142.3 billion shillings in 2015 (Sennyonyi, 2018). These cases illustrate the systemic risks posed by weak credit risk management in developing economies.

Studies have also examined the effectiveness of credit risk management frameworks in preventing bank failures. Bofondi and Gobbi (2003) found that banks with robust credit risk management systems were better equipped to withstand financial shocks, while those without such systems suffered significant losses during periods of economic volatility. Similarly, research by Beck, Demirgüç-Kunt, and Levine (2006) demonstrated a positive correlation between strong regulatory frameworks and improved credit risk management practices in emerging markets.

In Tanzania, the failure of Twiga Bancorp in 2018 was linked to poor credit risk oversight and governance issues (Tanzania Invest, 2018; Kajubi, 2019). This aligns with findings from other studies, which emphasize the critical role of governance and regulatory oversight in ensuring effective credit risk management (Barth, Caprio, & Levine, 2004). In Kenya, the collapse of Imperial and Chase Bank further underscores the impact of governance failures and weak risk management practices on bank stability (Ngugi & Karina, 2017).

Recent empirical research has also explored the role of technology in enhancing credit risk management. The adoption of advanced analytics, machine learning, and artificial intelligence has been shown to improve credit risk assessment and reduce NPLs (Berger & Frame, 2007; Danisman & Demirel, 2019). However, these technologies also present new challenges, such as data privacy concerns and the need for skilled personnel to manage complex systems.

**Synthesis of Literature**

The theoretical and empirical literature highlights the critical role of credit risk management in ensuring banking stability and performance. While theoretical frameworks provide a foundation for understanding credit risk, empirical studies reveal the practical challenges and consequences of poor risk management. Global and regional evidence demonstrates that weak credit risk oversight, governance failures, and inadequate regulatory frameworks are key drivers of bank failures. At the same time, technological advancements offer promising opportunities to enhance credit risk management, though they also introduce new complexities.

This study builds on these insights by examining the factors contributing to poor lending performance and the role of credit risk management in mitigating bank failures, with a focus on the Ugandan banking sector. By integrating theoretical perspectives with empirical evidence, this research aims to contribute to the broader discourse on banking stability and provide actionable recommendations for policymakers and practitioners.

**Research Methodology**

This study utilized a cross-sectional research design, which involves collecting data ata single point in time or over a brief period to address specific research questions (Sekaran, 2003). The cross-sectional approach was chosen for its ability to capture a snapshot of the phenomena under investigation, enabling efficient data collection within a limited timeframe. This design supported the use of multiple data collection methods, including self-administered questionnaires and face-to-face interviews, to ensure comprehensive and diverse data (Lavrakas, 2018). By focusing on data at a specific point in time, the cross-sectional design allowed the study to reflect current conditions, thereby saving time and reducing costs associated with data collection (Moule & Goodman, 2019).

A mixed-methods approach was adopted to enhance the depth and reliability of the findings. Quantitative data served as the foundation for statistical analysis, enabling the examination of relationships between independent and dependent variables. Qualitative data complemented the quantitative findings by providing detailed, contextual insights through statements and narratives obtained from interviews. This dual approach allowed for both statistical inferences and in-depth analysis, ensuring a comprehensive understanding of the research problem (Bernard, 2012). The target population for the study included 482 individuals, comprising 470 credit clients, 10 credit staff members, 1 credit supervisor, and 1 branch manager from Equity Bank’s Ishaka Branch. A sample size of 219 respondents was determined using Slovin’s formula, which ensures a representative sample while accounting for the margin of error. This sample size was deemed appropriate for achieving reliable and generalizable results, given the study’s objectives and resource constraints.

After data collection, the researcher conducted data processing to ensure accuracy and reliability. Quantitative data processing involved coding, entering the data into the Statistical Package for Social Sciences (SPSS version 24.0), and summarizing it using frequency tables to identify and correct errors (Greasley, 2007). Descriptive statistics, including frequencies and measures of central tendency, were calculated to summarize the data. Inferential statistics, such as correlation and regression analysis, were employed to test hypotheses and examine relationships between variables (Simpson, 2015). This approach enabled the generalization of findings to the broader population.

Qualitative data was analyzed using thematic and discursive methods. The data was first coded and grouped according to study objectives and emerging themes (Kohlbacher, 2006). The discursive method involved a detailed interpretation of the text, attributing meaning to the analyzed content. Thematic analysis ensured that clusters of text with similar meanings were grouped together, providing a structured framework for understanding qualitative insights. This approach allowed qualitative data to supplement quantitative findings, offering deeper explanations and contextual understanding. By integrating quantitative and qualitative methods, the study achieved a comprehensive analysis, combining statistical rigor with rich, contextual insights.

**Results**

**Descriptive Statistics**

Descriptive statistics were analyzed using means and standard deviations to measure the level of responses provided by respondents on various statements related to loan performance and risk management practices. The results for both dependent and independent variable constructs are presented in the tables below.

Table 1. **Descriptives on Loan performance of commercial banks**

|  |  |  |
| --- | --- | --- |
| **Loan performance of commercial banks**  | **Mean** | **SD** |
| Borrowers are making their payments on time. This is usually tracked monthly. | 4.37 | 0.98 |
| Lenders often categorize delinquencies based on the number of days a payment is overdue  | 4.22 | 0.96 |
| Defaulting on a loan can have serious consequences for the borrower's credit score and financial standing | 3.66 | 0.82 |
| Lenders often track the entire repayment history of a borrower | 3.71 | 0.89 |
| Each payment goes toward interest and how much goes toward paying down the principal can give insights into how the loan is being managed. | 3.61 | 0.89 |
| A borrower's credit score is influenced by their history of repaying loans.  | 3.71 | 0.90 |
| Lenders use loan performance data to assess the risk associated with future loans | 3.72 | 0.94 |
| In cases where a borrower is delinquent or in default, lenders may take steps to recover the outstanding amount. | 3.76 | 0.93 |
| In some cases, lenders may offer loan modifications to borrowers facing financial difficulties. | 3.41 | 0.87 |
| Lenders often have strategies in place to minimize their losses in case of default | 2.87 | 0.83 |
| **Overall mean and standard deviation** | **3.70** | **0.90** |

**Primary data 2025**

The table provides insights into how commercial banks evaluate and manage loan performance. The highest-rated aspect, with a mean score of 4.37 (SD = 0.98), indicates that borrowers are generally punctual in making their payments. Similarly, the practice of categorizing overdue payments based on the number of days they are late (mean = 4.22, SD = 0.96) is also rated highly, underscoring the importance placed on tracking payment schedules. These results suggest that timely repayments are a key focus and are being effectively managed by banks.

Moderate scores are observed in areas such as monitoring borrowers’ repayment histories (mean = 3.71, SD = 0.89), evaluating credit scores based on payment behavior (mean = 3.71, SD = 0.90), and analyzing repayment data to assess future lending risks (mean = 3.72, SD = 0.94). These practices are essential for understanding and predicting borrower behavior, though they appear to receive slightly less attention compared to on-time payments. Tracking how payments are divided between interest and principal (mean = 3.61, SD = 0.89) also falls within this range, suggesting room for improvement in transparency and borrower awareness.

On the lower end, strategies to reduce losses in case of loan defaults received the lowest rating (mean = 2.87, SD = 0.83), indicating a potential gap in the implementation of these plans. Similarly, loan modifications for borrowers facing financial difficulties (mean = 3.41, SD = 0.87) and recovery actions for delinquencies and defaults (mean = 3.76, SD = 0.93) are areas that could be strengthened. These findings highlight opportunities for banks to enhance support for struggling borrowers while also minimizing their own risks. Overall, while strong systems are in place for timely payments and tracking borrower histories, there is room to improve borrower assistance and refine risk mitigation strategies.

# **4.2.2 Descriptive statistics on Risk Management Practices Constructs**

Table 2. Descriptives on Client Appraisal

|  |  |  |
| --- | --- | --- |
| **Client appraisal**  | **Mean** | **SD** |
| Our bank sets specific goals for me to accomplish in the Client appraisal process  | .3.97 | 00.96 |
| We normally conduct brainstorming sessions with a diverse group of participants to generate a wide range of potential risks | 43.92 | 00.94 |
| Our bank normally analyze the Strengths, Weaknesses, Opportunities, and Threats (SWOT) related to the Loans | 33. 66 | 00.87 |
| We usually review past loans or similar endeavors to identify risks that were encountered previously. | 33.75 | 00.89 |
| Our bank use risk checklists and templates specific to certain loans | 33.64 | 00.86 |
| We consider different categories of risks such as technical, financial, operational, legal, and external | 33.71 | 00.85 |
| The bank examines relevant documents, such as loan procedure, contracts, and regulatory requirements, to identify potential risks | 33.70 | 00.84 |
| Our bank considers various scenarios and think about what risks might arise in each of them. | 32.76 | 00.93 |
| **Overall mean and Standard Deviation** | **3.64** | **0.89** |

**Primary data 2025**

The table highlights the bank’s approach to client appraisals, focusing on strategies to identify and manage risks effectively. It reflects a structured approach but also reveals areas that could benefit from further development. The highest-rated practice involves setting specific goals for staff during the client appraisal process (mean = 3.97, SD = 0.96), indicating that clear objectives are a priority. Brainstorming sessions, where diverse groups come together to identify a wide range of risks, also score highly (mean = 3.92, SD = 0.94), demonstrating the effectiveness of collaborative and creative thinking in risk identification.

Moderate scores are observed in activities such as conducting SWOT analyses for loans (mean = 3.66, SD = 0.87), reviewing past loan performance to identify recurring risks (mean = 3.75, SD = 0.89), and using checklists and templates for specific loan types (mean = 3.64, SD = 0.86). These methods indicate a systematic approach to risk evaluation, though the scores suggest there is room to enhance their impact. Similarly, considering different categories of risk (mean = 3.71, SD = 0.85) and reviewing key documents like contracts and regulatory requirements (mean = 3.70, SD = 0.84) reflect a broad but slightly underutilized strategy for comprehensive risk management.

The lowest score (mean = 3.76, SD = 0.93) is associated with considering scenarios and predicting risks that might arise in each one. While this is an important step in proactive planning, the lower rating suggests it may not be applied as consistently or effectively as other methods. Strengthening scenario-based planning could help the bank better prepare for unexpected challenges and improve its risk mitigation efforts. Overall, the bank demonstrates a strong foundation in goal setting and collaborative brainstorming, which are vital for a robust client appraisal process. However, there is potential to enhance scenario planning and make structured tools like SWOT analysis and risk checklists more effective. Addressing these areas could further strengthen the bank’s ability to identify and manage risks effectively.

# **Correlation analysis**

To establish whether credit risk management components namely; credit appraisal, credit recovery and credit standards were related to loan performance of commercial banks, the researcher carried out correlation analysis. The results were as given in Table below.

Table 3. Correlation on Client Appraisal and Loan Performance

|  |  |  |
| --- | --- | --- |
|  | Loan Performance | Client Appraisal  |
| Loan Performance | 1 | 0.87\*\*0.000 |
| Client Appraisal | 0.87\*\* | 1 |

**\*\* Level of Significance 0.05**

The correlation matrix reveals a strong positive relationship between loan performance and client appraisal (r = 0.87, p < 0.001). This indicates that improvements in the processes for appraising clients are closely associated with better loan performance outcomes. These findings underscore the importance of robust client appraisal practices in enhancing the overall performance of commercial banks.

**Discussion of Results**

The findings of this study provide valuable insights into the relationship between credit risk management practices and loan performance in commercial banks. The results highlight both strengths and areas for improvement in how banks manage credit risk, offering actionable recommendations for enhancing loan performance and mitigating risks.

**Loan Performance**

The descriptive statistics on loan performance reveal that timely repayments are a key strength for commercial banks, with borrowers generally making payments on time (mean = 4.37, SD = 0.98). This aligns with existing literature, which emphasizes the importance of monitoring payment schedules to ensure financial stability (Bofondi & Gobbi, 2003). The high rating for categorizing delinquencies based on overdue days (mean = 4.22, SD = 0.96) further underscores the effectiveness of tracking mechanisms in managing loan portfolios. These findings suggest that banks have robust systems in place to monitor and enforce timely repayments, which is critical for maintaining cash flow and minimizing non-performing loans (NPLs). However, the study also identifies areas where banks can improve. For instance, strategies to minimize losses in case of default received the lowest rating (mean = 2.87, SD = 0.83), indicating a gap in risk mitigation practices. This finding is consistent with prior research, which highlights the challenges banks face in recovering funds from defaulting borrowers (Sennyonyi, 2018). Similarly, loan modifications for borrowers facing financial difficulties (mean = 3.41, SD = 0.87) and recovery actions for delinquencies (mean = 3.76, SD = 0.93) are areas that require attention. These results suggest that while banks are effective in tracking repayments, they could enhance their support systems for struggling borrowers and strengthen recovery mechanisms to reduce losses.

**Risk Management Practices**

The analysis of risk management practices, particularly client appraisal, reveals a structured approach to identifying and managing risks. Setting specific goals for staff during the appraisal process (mean = 3.97, SD = 0.96) and conducting brainstorming sessions (mean = 3.92, SD = 0.94) are highly rated practices, reflecting the importance of clear objectives and collaborative problem-solving in risk management. These findings align with studies that emphasize the role of goal-setting and teamwork in enhancing organizational performance (Locke & Latham, 2002). Moderate scores for practices such as SWOT analysis (mean = 3.66, SD = 0.87) and the use of risk checklists (mean = 3.64, SD = 0.86) suggest that while these tools are utilized, their impact could be further enhanced. This is consistent with literature that highlights the need for continuous improvement in risk assessment frameworks (Barth, Caprio, & Levine, 2004). The lowest score for scenario-based risk planning (mean = 3.76, SD = 0.93) indicates a potential weakness in proactive risk management. Strengthening this area could help banks better anticipate and mitigate unforeseen risks, thereby improving overall resilience.

**Correlation Between Credit Risk Management and Loan Performance**

The correlation analysis reveals a strong positive relationship between client appraisal and loan performance (r = 0.87, p < 0.001). This finding underscores the critical role of effective client appraisal in ensuring positive loan outcomes. It supports the argument that thorough risk assessment at the outset of the lending process can significantly reduce the likelihood of defaults and delinquencies (Beck, Demirgüç-Kunt, & Levine, 2006). The strong correlation also highlights the interconnectedness of risk management practices and loan performance, suggesting that improvements in one area can lead to gains in the other.

**Implications for Practice**

The findings of this study have several practical implications for commercial banks. First, banks should continue to prioritize timely repayments and effective tracking mechanisms, as these are key drivers of loan performance. However, they should also invest in strengthening their risk mitigation strategies, particularly in areas such as loan modifications and recovery actions. Providing support to borrowers facing financial difficulties can not only reduce defaults but also enhance customer loyalty and trust. Second, banks should focus on enhancing their risk management frameworks, particularly in areas such as scenario-based planning and the use of structured tools like SWOT analysis and risk checklists. Training staff to effectively utilize these tools and fostering a culture of proactive risk management can significantly improve outcomes. Finally, the strong correlation between client appraisal and loan performance highlights the importance of thorough risk assessment at the outset of the lending process. Banks should invest in advanced analytics and technology to improve the accuracy and efficiency of client appraisals, thereby reducing the likelihood of defaults and enhancing overall loan performance.

**Conclusion**

In conclusion, this study highlights the critical role of credit risk management in ensuring the stability and performance of commercial banks. While banks have made significant strides in managing loan repayments and assessing risks, there is room for improvement in areas such as risk mitigation, borrower support, and proactive planning. By addressing these gaps, banks can enhance their resilience, reduce losses, and improve overall performance. These findings contribute to the growing body of literature on credit risk management and provide actionable insights for policymakers and practitioners in the banking sector**.**

**Recommendations**

To address the challenges identified in this study, commercial banks should prioritize strengthening their credit risk management frameworks and enhancing loan performance. First, banks must develop robust risk mitigation strategies to minimize losses from loan defaults. This includes improving recovery mechanisms by establishing specialized teams and leveraging legal frameworks to expedite the recovery of outstanding amounts. Additionally, offering flexible loan modification options, such as extended repayment periods or reduced interest rates, can help borrowers facing financial difficulties avoid defaults. Ensuring adequate collateral coverage for high-risk loans and regularly reviewing collateral values will further mitigate potential losses. These measures will not only reduce non-performing loans but also enhance the bank’s overall financial stability.

Second, banks should focus on improving borrower support systems to reduce delinquencies and defaults. Implementing financial education programs can empower borrowers to manage their finances effectively and understand the implications of loan defaults. Early warning systems should be introduced to identify at-risk borrowers early and provide timely interventions, such as counseling or temporary payment relief. Furthermore, designing customer-centric loan products that align with borrowers' financial capabilities, such as income-based repayment plans, can foster trust and loyalty. By addressing the root causes of financial distress, banks can create a more supportive environment for borrowers while reducing the risk of defaults.

Finally, banks should leverage technology and foster a culture of proactive risk management to enhance their risk assessment frameworks. Investing in advanced analytics, machine learning, and artificial intelligence can improve the accuracy of client appraisals and predict potential risks more effectively. Strengthening scenario-based planning and making better use of structured tools like SWOT analysis and risk checklists will ensure a systematic evaluation of risks. Regular training and development programs for staff, coupled with collaborative approaches such as cross-departmental brainstorming sessions, will embed risk management into the organizational culture. By adopting these measures, banks can improve their resilience, reduce losses, and achieve sustainable growth in an increasingly complex financial landscape.

**COMPETING INTERESTS DISCLAIMER:**

Authors have declared that they have no known competing financial interests OR non-financial interests OR personal relationships that could have appeared to influence the work reported in this paper.

**References**

Akerlof, G. A. (1970). The market for "lemons": Quality uncertainty and the market mechanism. *The Quarterly Journal of Economics, 84*(3), 488–500. <https://doi.org/10.2307/1879431>

Altman, E. I., & Saunders, A. (1998). Credit risk measurement: Developments over the last 20 years. *Journal of Banking & Finance, 21*(11-12), 1721–1742. [https://doi.org/10.1016/S0378-4266(97)00036-8](https://doi.org/10.1016/S0378-4266%2897%2900036-8)

Barth, J. R., Caprio, G., & Levine, R. (2004). Bank regulation and supervision: What works best? *Journal of Financial Intermediation, 13*(2), 205–248. <https://doi.org/10.1016/j.jfi.2003.06.002>

Beck, T., Demirgüç-Kunt, A., & Levine, R. (2006). Bank concentration, competition, and crises: First results. *Journal of Banking & Finance, 30*(5), 1581–1603. <https://doi.org/10.1016/j.jbankfin.2005.05.010>

Berger, A. N., & Frame, W. S. (2007). Small business credit scoring and credit availability. *Journal of Small Business Management, 45*(1), 5–22. <https://doi.org/10.1111/j.1540-627X.2007.00195.x>

Bernard, H. R. (2012). *Social research methods: Qualitative and quantitative approaches* (2nd ed.). SAGE.

Bofondi, M., & Gobbi, G. (2003). Bad loans and entry in local credit markets. *Temi di Discussione (Economic Working Papers), 509*. Bank of Italy.

Brindley, C. (2004). *Risk and risk management in the credit industry*. Palgrave Macmillan.

Brunnermeier, M. K. (2009). Deciphering the liquidity and credit crunch 2007–2008. *Journal of Economic Perspectives, 23*(1), 77–100. <https://doi.org/10.1257/jep.23.1.77>

Carswell, S. (2013). *Anglo Republic: Inside the bank that broke Ireland*. Penguin Books.

Chu, V. (2014). The collapse of Anglo Irish Bank: A case study. *Journal of Financial Regulation and Compliance, 22*(2), 136–152. <https://doi.org/10.1108/JFRC-05-2013-0019>

Congdon, T., Eisenbeis, R. A., Kaufman, G. G., & Llewellyn, D. T. (2019). *Northern Rock: A case study in banking failure*. Wiley.

Danisman, G. O., & Demirel, P. (2019). Bank risk-taking in developed countries: The influence of market power and bank regulations. *Journal of International Financial Markets, Institutions and Money, 59*, 202–217. <https://doi.org/10.1016/j.intfin.2018.12.007>

Economist Intelligence Unit. (2019). *Risk management in banking: A global perspective*. EIU Publications.

Greasley, P. (2007). *Quantitative data analysis using SPSS: An introduction for health and social science*. McGraw-Hill/Open University Press.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics, 3*(4), 305–360. [https://doi.org/10.1016/0304-405X(76)90026-X](https://doi.org/10.1016/0304-405X%2876%2990026-X)

John, K. (2004). Risk management in banking: A theoretical framework. *Journal of Banking & Finance, 28*(5), 937–948. [https://doi.org/10.1016/S0378-4266(03)00210-6](https://doi.org/10.1016/S0378-4266%2803%2900210-6)

Jorion, P. (2007). *Value at risk: The new benchmark for managing financial risk* (3rd ed.). McGraw-Hill.

Kajubi, A. (2019). The collapse of Twiga Bancorp: Lessons for Tanzania’s banking sector. *African Journal of Finance and Management, 27*(2), 45–58.

Kohlbacher, F. (2006). The use of qualitative content analysis in case study research. *Forum Qualitative Sozialforschung / Forum: Qualitative Social Research*, 7(1). https://doi.org/10.17169/fqs-7.1.75

Lavrakas, P. J. (2018). *Encyclopedia of survey research methods*. SAGE.

Markowitz, H. (1952). Portfolio selection. *The Journal of Finance, 7*(1), 77–91. <https://doi.org/10.1111/j.1540-6261.1952.tb01525.x>

Moule, P., & Goodman, M. (2019). *Nursing research: Methods and critical appraisal for evidence-based practice* (5th ed.). Elsevier.

Ngugi, R., & Karina, B. (2017). Governance and bank failures: Lessons from Imperial and Chase Bank. *Journal of African Economies, 26*(3), 345–367. <https://doi.org/10.1093/jae/ejx012>

O'Connell, B. (2017). *Northern Rock: The collapse of a bank*. Routledge.

Sekaran, U. (2003). *Research methods for business: A skill-building approach* (4th ed.). John Wiley & Sons.

Sennyonyi, J. (2018). The rise and fall of Crane Bank: A case study of Uganda’s banking sector. *African Journal of Business Management, 12*(4), 89–102.

Simpson, G. (2015). *Social statistics: Managing data, conducting analyses, presenting results*. Oxford University Press.

Stiglitz, J. E., & Weiss, A. (1981). Credit rationing in markets with imperfect information. *The American Economic Review, 71*(3), 393–410.

Tanzania Invest. (2018). Twiga Bancorp: The collapse of a Tanzanian bank. Retrieved from [https://www.tanzaniainvest.com](https://www.tanzaniainvest.com/)

Uganda Bank Statement. (1999). Annual report on the banking sector. Bank of Uganda.

Williams, J. (2021). *Banking failures in Scotland: The case of Pioneer Mutual Bank*. Edinburgh University Press.