

**CREDIT MANAGEMENT AND PERFORMANCE OF LOAN PORTFOLIO IN
COMMERCIAL BANKS IN BUJUMBURA, BURUNDI**

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ABSTRACT

The purpose of this study was to investigate the effect of credit management on the performance of loan portfolio among commercial banks in Bujumbura, Burundi. The following objectives guided the study: i) to determine the effect of credit appraisal on the performance of loan portfolio of commercial banks in Bujumbura, Burundi; ii) to establish the effect of credit risk control on the performance of loan portfolio of commercial banks in Bujumbura, Burundi; and iii) to find out the effect of collection policy on the performance of loan portfolio of commercial banks in Bujumbura, Burundi. The study used cross sectional research design with emphasis on quantitative approach. The sample size of the study was 60 participants comprising of credit managers and loan officers, however, only 52 questionnaires were retrieved. The validity of the instrument was 0.89 and the reliability was 0.852 for credit management and 0.812 for performance of loan portfolio. The study revealed a significant effect of credit appraisal on the performance of loan portfolio ($R^2=0.409$; $p=0.000$). The null hypothesis was rejected and the alternative hypothesis upheld. Furthermore, the study revealed a significant effect of credit risk control on the performance of loan portfolio ($R^2=0.469$; $p=0.000$). The null hypothesis was rejected and the alternative hypothesis upheld. In addition, the study revealed that loan collection policy significantly affected the performance of loan portfolio ($R^2=0.566$; $p=0.000$). The null hypothesis was rejected and the alternative hypothesis upheld. The study concluded that credit management significantly affects the performance of loan portfolio of commercial banks in Bujumbura. The study recommended that commercial Banks in Burundi should enhance their collection policy by adapting a more stringent policy to a lenient policy for effective debt recovery, the study also recommended the need for commercial Banks in Burundi to enhance their client appraisal techniques so as to improve the performance of their loan portfolio. In addition, the study recommended the need for commercial banks in Burundi to enhance their credit risk control. This would help in decreasing default levels as well as their non-performing loans.