

**RISK MANAGEMENT PRACTICES AND INVESTMENT DECISIONS
A CASE OF RWANDA COMMERCIAL BANK (BCR)**

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ABSTRACT

This research project is entitled “Risk management practices and investment decisions” It was presented as a result of a research that was carried out in the Rwanda Commercial Bank (BCR). The study was carried out based on three specific objectives, to identify the risk management practices used by Rwanda Commercial Bank, to analyze how risk management practices influence investment decisions making by Rwanda Commercial Bank, and to establish the relationship between risk management practices and investment decisions taken by Rwanda Commercial Bank. The study was in form of a descriptive correlation design, to describe and analyze the condition of the areas design being studied as it was at the time. The study population was comprised of 182 employees of the Rwanda Commercial Bank and sample of 125 respondents was chosen, using purposive sampling method. Questionnaires and interviews were used in collecting primary data. For secondary data, BCR financial statements and reports were analyzed. The study pointed out that there is a significant relationship between risk management practices and investment decisions taken by Rwanda commercial Bank. The research revealed that selecting investments, Bank takes decisions basing on analysed report of events which can affect the investment and return. Rwanda commercial Bank to solve the problem of defaulting loans should make constant risk assessment, reduction, monitoring, transfer and control risks exposure, use a number of ratios and other indicators to assist them in assessing portfolio risk and return. The Rwanda Commercial Bank should have a decision making structure and plan liquidity under alternative scenarios, including crisis situations. It should include expected cash outflows and inflow over a series of specified time periods. Rwanda Commercial Bank should have liquid or nearly liquid asset or decrease the holding of non-liquid assets to have enough liquidity. Rwanda Commercial Bank should emphasize the evaluation of the applicant's the borrower, they include: historical financial indicator, credit bureau report, assessment of borrower's managerial ability and demonstration willingness to repay the loan. Still, Rwanda Commercial Bank should always visit customer's places of business to gather up-to-date information on borrowers, reduce credit risk exposure through advising customers to provide additional capital, funds, collateral or guarantees.