

CREDIT RISK MANAGEMENT AND LOAN RECOVERY
A CASE STUDY OF BANK OF KIGALI (2010-2012)

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ABSTRACT

This project report sets out to examine the credit risk management and loan recovery. It specifically examines the credit guaranteed by commercial banks and how they assess risks involved in the provision of have an impact policy in assessing the creditworthiness of the borrower so as to minimize credits to the clients. It is evident that every organization needs to losses related to inability of the borrower to repay its obligation as per agreement. Thus, for the sake of minimizing risks financial institutions have some bases for assessing the repayment capacity of the client before offering him with a loan. It is in this context, that the researcher was prompted to developing a framework on assessing the impact of credit risk management on loan recovery. The study was conducted in bank of Kigali one of the financial institutions in Rwanda operating at large scale, putting emphasis on its loan recovery department. The sample size was determined using slovin's formula and selected using purposive and simple random sampling techniques. Data collections tools were questionnaires and interviews for primary data while documentary review was used for secondary data. Data were collected from primary sources that will include employees of Bank of Kigali and secondary data were collected from text books, journals, reports and internet. The researcher hopes to use tables and figures to present the collected data while percentages and frequencies were provide the basis upon which analysis and interpretation was based on. Findings revealed that bank of Kigali has an established loan recovery department and the majority of respondent are aware of its existence and participate in its implementation. This department facilitates the bank to make the follow up and recovering the loans offered to the different clients. It was proven that financial institutions in Rwanda have different policies in place to minimize credit risks and an attempt was made to mention various factors taken into account in assessing the creditworthiness of the borrowers.